Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel IS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr9.00
Egypt E£2.25	Lebanon $L125.00	Switz SFr2.20
Finland Fmk7.00	Lux LFr48	Taiwan NT$95
France FFr6.50	Malaysia Rlo4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

FINANCIAL TIMES

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No. 30,489 — Tuesday March 15 1988 — D 8523 A

Banks and debt in Latin America, Page 6

World News

Israelis to close off Gaza Strip overnight

Israeli army officials said they would seal off every night the occupied Gaza Strip, home to 650,000 Palestinians, to try to prevent the spread of unrest.

Meanwhile an unofficial ban by Israel on fuel deliveries to troubled Palestinian villages in the West Bank and Gaza Strip began to bite. Page 4

China and Vietnam clash over islands

Chinese and Vietnamese warships clashed near the disputed Spratly Islands in the South China Sea. Peking said Vietnamese warships had 47. fired at Chinese vessels on patrol near the archipelago.

China delivered a strong protest to Hanoi's ambassador in Peking and demanded that Vietnam withdraw from the islands or bear the consequences. Three weeks ago, Vietnam accused China of illegally invading and occupying some of the islands.

IRA bodies flown home

Thousands of people with black flags lined streets in the Irish Republic as the bodies of the three IRA members shot by British security forces in Gibraltar began their journey by road from Dublin to Belfast after being flown home. Later a man was shot dead by British troops during an incident in Belfast.

Iran threatens inferno

Iran threatened to turn Baghdad into an inferno because of missile attacks on Tehran and reported more than 2,100 Iraqi casualties in heavy fighting during three offensives in north-east and eastern Iraq.

Star Wars progress

President Ronald Reagan, marking the fifth anniversary of his Star Wars defence programme, said the anti-missile system was progressing rapidly and would be deployed in phases when ready.

Panama demo halted

Riot police in Panama City fired teargas at hundreds of teachers and dock workers staging a protest to demand payment from the Government.

Taiwanese 'pardoned'

China said it had pardoned its former adversaries now in Taiwan of crimes committed before communist armies swept to power on the Chinese mainland in 1949.

Indian walk-out

Opposition members of the Indian Parliament staged a walk-out in support of e one-day national strike today to protest against Prime Minister Rajiv Gandhi's policies. Bill thwarted, Page 4

N-plant blockade

Protestors and trade unionists prevented 5,000 workers from resuming construction of a nuclear power plant north of Rome where work was halted for four months after a national referendum came ont heavily against nuclear power. Page 2

Spray-cans warning

The European Bureau of Consumers' Unions lobby group warned it would urge West Europeans to boycott harmful spray cans unless companies speeded up plans to make them less dangerous to the earth's ozone layer.

Afghan deadline expires

The Soviet deadline for signing an accord in Geneva for the withdrawal of 115,000 Soviet troops from Afghanistan was due to expire – with increasingly chaotic divisions among most of the key players. Page 4

Basque parcel bombs

Spanish prisons were placed on alert after parcel bombs were sent from the Basque country to the directors of two jails holding Basque guerrillas.

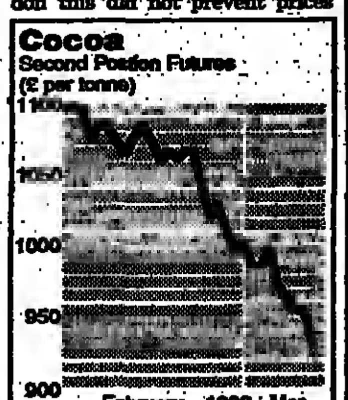
Business Summary

J. Fairfax shuts two Australian newspapers

JOHN FAIRFAX, debt-burdened Australian media group, announced the immediate closure of the Sun and the Times on Sunday, two of its best-known newspapers, and a further round of asset disposals. Page 29

T. BOONE PICKENS, Texas stock raider, abruptly dropped a proposal to buy Homestake Mining for $1.95bn, adding to Wall Street's growing suspicion that he is announcing takeover bids only to make short-term stock profits. Page 29

COCOA: Although the markets had already largely discounted the failure of the International Cocoa Organisation talks in London this did not prevent prices



from falling sharply again. The benchmark second position futures contract closed down £24 a tonne at £930 a tonne – the lowest level since August 1982. Dead end street, Page 38

WALL STREET: The Dow Jones industrial average closed up 15.09 at 2050.07. Page 50

TOKYO: Late profit-taking amid continued cantion led equity prices lower in Tokyo as investors awaited this week's US trade figures for January. The Nikkei average lost 110.22 to 25,433.51. Page 50

LONDON: Pound's steadiness took pressure off international stocks in a market preoccupied with today's Budget and the FT-SE 100 index added 7.9 to 1,819.5. Page 46

DOLLAR closed in New York at DM1.6645, SFr1.3730, FFr5.6535 and Y126.85. It closed in London at DM1.6630 (DM1.6610); SFr1.3725 (SFr1.3715); FFr5.65 (FFr5.6475); Y126.90 (Y127.35). Page 39

STERLING closed in New York at $1.8525. It closed in London at $1.8530; DM3.0825 (DM3.0775); FFr10.4700 (FFr10.4650); Y235.25 (Y236.00); and SFr2.5425 (unchanged). Page 39

FEDERATED Department Stores, US department store chain under siege from R. H. Macy and Campean, was studying an improved friendly offer from Macy's of New York as the struggle entered what could be a decisive phase in the stock market and the courts. Page 29

FRENCH Government has adopted measures to strengthen the arsenal of companies defending themselves against hostile bids. Page 32

BRIERLEY INVESTMENTS, New Zealand-based international investment company, announced that the stock market crash in October sent its share portfolio plunging, causing a fall in profits for the first time since 1966. Page 31

NOBEL INDUSTRIES, Swedish armaments and chemicals group, lifted 1987 profits by 35 per cent to SKr622m ($105.4m) after financial items. Page 30

AGA, Swedish industrial gas group, has agreed to sell its tool steel operations for SKr580m ($98m). Page 30

SKANSKA, largest construction company and biggest private-sector property owner in Sweden, has tightened its grip on JM, property rival, in a deal worth about SKr620m ($105m). Page 30

TRUSTHOUSE FORTE, one of the world's largest hotel groups, won control of Kennedy Brookes, the fast-growing UK hotel and restaurant company. Page 29

Thatcher backs Lawson authority over money policy

BY PETER RIDDELL AND PHILIP STEPHENS IN LONDON

MR NIGEL LAWSON, the UK Chancellor of the Exchequer, will this afternoon assert his authority over the control of monetary and exchange rate policy in his Budget speech, having received support from Mrs Margaret Thatcher, the Prime Minister.

The damaging airing over the past week of public differences between the two over exchange rate policy has overshadowed what is expected to be a major tax-cutting and reforming Budget.

Nevertheless, Mr Lawson was last night said by close allies to be confident. They said that this afternoon's speech would underline his commitment to a stable pound in spite of the short-term decision to allow sterling to rise above DM3.00. The suggestion is that his view will be vindicated by subsequent actions and events.

Mr Lawson is keen to put the differences behind him, believing that he has been in the right and that his preference for a stable exchange rate is shared by finance ministers in all the other leading industrialised countries.

He is widely credited with winning the Conservatives the last general election, but has had a mixed record as Chancellor in helping his party's short-term position in the opinion polls.

Mr Lawson's allies believe he is in a strong political position given his reputation in financial markets, so that Mrs Thatcher has to back him.

Suggestions that Mr Lawson has considered resigning or was seeking specific assurances from Mrs Thatcher were last night discounted by his close allies. He has undoubtedly been annoyed by the events of the past week and reports of a split, but sees no interest in raising the temperature.

Well before the latest row Mr Lawson had been saying that he would consider his political future this summer. He has admitted publicly that, after nearly five years at the Treasury already, he does not want to remain Chancellor for the whole of this term.

The official Government line yesterday was to cool the situation. The discussions between Mrs Thatcher and Mr Lawson were being presented as within an agreed strategy to contain inflation. It was argued that Mrs Thatcher had never ruled out intervention for purposes of smoothing but she believed it was impossible to buck the trend indefinitely.

Mr Lawson yesterday gained some respite in his efforts to

Continued on Back Page

Kinnock savours his chance, Page 7; UK economic figures, Page 8; Health service strike, Page 9; Currencies, Page 39

Nigel Lawson

US seeks to win Shamir approval on Mideast peace plan

By Our Foreign Staff

THE US yesterday said it would not alter its proposals for e Middle East peace plan despite the insistence of Mr Yitzhak Shamir, the Israeli Prime Minister, that it was unacceptable.

A White House official said the Administration intended to use its full powers of persuasion to change the Prime Minister's attitude while he was in Washington on a four-day visit.

"We have an integrated package, we think it is a workable approach, and we won't permit any aspect of it to be eroded or compromised," the senior official said. " . . . There would be a danger of it unravelling if essential elements were modified."

Mr Shamir, citing internal divisions in his country, made clear yesterday that he would not reply to the latest US Middle East peace proposals during his talks this week with the Reagan Administration in Washington.

The Israeli Prime Minister met American Jewish leaders briefly in New York and pledged to make a "tremendous effort" to reach agreement with the US, but he said e final decision would be made by the Israeli Cabinet.

Mr Shamir's chief spokesman, Mr Avi Pazner, quoted the hard-line Israeli leader as saying: "The Israeli people are divided, and I don't think you can make peace with the consent of only half the people."

The Prime Minister said he would raise his own proposals for a settlement during tomorrow's talks with President Reagan and US leaders.

Greeted on arrival in Washington by the US Secretary of State, Mr George Shultz, Mr Shamir appealed to Americans for understanding and promised flexibility.

Mr Shamir sought to blunt US criticism of his resolute opposition to the US plan: "In our search for peace, the US has always been helpful, open and indispensable," he said.

In Israel, Mr Shamir has condemned the Shultz plan as "unwieldy, clumsy . . . and containing nothing to assure the peace or security of Israel."

The Shultz initiative – which has also received little support among Arab countries – calls for an international conference next month, followed by talks on interim Palestinian self-rule in the occupied territories.

The plan also envisages talks on a final settlement of the Arab-Israeli conflict beginning seven months after the start of talks on interim Palestinian self-rule.

Brussels corporate tax harmonisation set to hit fierce resistance

BY RICHARD WATERS IN LONDON

PROPOSALS for harmonising elements of national corporate tax systems within the European Community have been agreed in principle by officials in Brussels.

The plan, finalised last week by the European Commission's direct tax division, is likely to meet fierce resistance in several countries, not least the UK, which is already among the most vociferous in fighting Commission plans to harmonise value added tax and other indirect taxes.

The proposals envisage a common approach to what is included in companies' taxable income and to what deductions they may take to reduce their tax bills. This would weaken the power of individual countries to use fiscal incentives to influence corporate activity.

The plan is believed still to be the subject of heated debate between different directorates within the Commission. But Lord Cockfield, the British Commissioner responsible for the EC internal market, is expected to ask the full 17-member Commission to approve it as early as Easter. Officials close to the plan disagree on timing, with one saying that it could be finalised by "late spring".

If approved, the plan would be put to the EC Council of Ministers, where it would require the support of all 12 member states before it took effect.

The directive would harmonise the corporate tax bases of each country. This would mean, for instance, that allowances for capital investment, or depreciation, would have to be brought into line with each other.

There would also have to be consistency on tax incentives for activities like research and development.

Current tax law in these areas differs considerably between states. Depreciation allowances are applied in countries like France and West Germany, though at different rates. France allows 50 per cent of the cost of buildings to be deducted from tax in the year of purchase; Germany applies a rigid depreciation allowance which allows 2 per cent a year on buildings contructed between 1924 and 1965.

The UK does not give tax relief on depreciation. Capital allowances, which had the same effect, were largely abolished for buildings and plant on April 1 1986. Member states would none the less remain free to apply incentives to influence companies' behaviour, said an official closely involved with drawing up the plan. "They would still be able to give direct subsidies, or to reduce tax rates," he said.

Lord Cockfield is also expected to produce a statement of principle on further harmonisation of corporate direct taxes.

Harmonising tax rates is likely to be the last stage of the process, an official said yesterday. A proposal for member states to bring their corporation tax rates into a band of 45-55 per cent has lain idle at the Commission for the last 13 years because of lack of support.

EC road-block, Page 2

Europeans plan eight-year chip research scheme

BY GUY DE JONQUIERES IN LONDON

DECISIONS are due to be taken this summer on proposals for a DM3bn to DM4bn ($1.8bn to $2.4bn) research and development scheme to equip Western Europe's semiconductor industries with the technologies needed to make microchips in the late 1990s.

The eight-year scheme, which involves the West German and Dutch governments, scientific institutes and about 50 west European companies, would be the biggest project jointly undertaken by governments and industry to promote Europe's competitiveness in microchips.

Its goals would be more ambitious than those of the $1.5bn six-year Sematech research initiative recently launched in the US by leading American chipmakers with financial support from the US Government. It would also aim to match or surpass efforts in Japan where, it is estimated, there are 10 times more scientists and engineers than in Europe working on advanced semiconductor research.

Final decisions on the European scheme, which has been under discussion for almost two years, are due to be taken in June. It is intended that most of the cost should be borne by industry, though substantial funding is also expected from the West German and Dutch governments and from the European Community.

The leading companies involved are Siemens of West Germany and Philips of the Netherlands, Europe's two largest electronics manufacturers. They are already co-operating in Megaproject, a five-year programme to develop edvanced microchips launched in 1985 with the support of their national governments.

Also taking part in the discussions are two scientific research institutes – the Fraunhofergesellschaft in Germany and TNO in the Netherlands – large industrial users of microchips and makers of semicondnctor manufacturing equipment and materials from those countries and France and Italy.

No British semiconductor company has been directly involved so far because, in the view of the scheme's organisers, none has made a strong enough commitment to long-term microchip research to be included in the initial planning.

Companies in Britain and eral other European countries are to be asked in the next few months if they would like to join the project. The organisers of the scheme believe that in the UK users rather than makers of microchips have the most to contribute.

No decision has yet been taken on whether to invite non-European companies to join the scheme, tentatively called Joint European Semiconductor Silicon (Jessi). But technological links may be sought with the US Sematech project.

Jessi would aim to develop the design and manufacturing techniques needed to make the next-but-one generation of microchips. It would have a joint development centre and experimental production line which, its backers hope, might become the basis for a more permanent European collaborative effort.

The future microchips would be much more powerful than today's and would be engraved with millions of circuits each

Continued on Back Page

Hachette targets US market with $415m bid for Grolier

BY GEORGE GRAHAM IN PARIS AND JANET BUSH IN NEW YORK

HACHETTE, the leading French publisher, has set its sights on becoming the world's third largest publisher with a $415m bid for Grolier, the US encyclopaedia company.

If it succeeds, the French group would be immediately behind Simon and Schuster of the US and Bertelsmann of West Germany in world publishing and lead the encyclopedia market.

Hachette had seemed to lack direction for a year since it unexpectedly failed to win the operating licence for TF1, the top French television channel. Although the group has expanded aggressively in the magazine sector, launching its Elle title as far afield as China, it has been slower to seize overseas opportunities in its books division, which has about 30 per cent of the French books market.

It may have been stung into action by the formation last month of Groupe de la Cité, a challenger to Hachette's domestic publishing supremacy created out of an agreement between Générale Occidentale, the communications offshoot of CGE, and CEP Communication which is controlled by the Havas advertising agency.

Hachette is involved in the US market through Curtis, the magazine distributor, and through the American edition of its magazine Elle, in a joint venture with Mr Rupert Murdoch. The acquisition of Grolier, which earned $22m last year on sales of $424m, would give it access to the company's significant mailing list.

Hachette's encyclopaedia subsidiary, Le Livre de Paris, is European leader in the door-to-door market. Unlike Groupe de la Cité, which has the rival Larousse encyclopaedia titles, it has not made a significant breakthrough in the profitable mail order segment.

Although Hachette says its $21 a share offer is friendly, analysts noted that Grolier could easily adopt the kind of scorched earth defence tactics which another US publisher, Harcourt Brace Jovanovich, used recently to beat off a bid from Maxwell Communications Corporation of the UK.

Other US publishers, however, have been acquired by European groups; Doubleday by Bertels-

Continued on Page 28

France tightens rules, Page 32

Venezuela reveals big oil find

BY JOSEPH MANN IN CARACAS AND MAX WILKINSON IN LONDON

VENEZUELA possesses reserves in the eastern state of Monagas totalling around 8.6bn barrels of high-quality light crude oil, rivalling those of the North Sea, the country's Minister of Energy and Mines, Mr Arturo Hernandez Grisanti, said at the weekend.

He told a congress on regional oil exploration that this was a conservative estimate.

This is the first time that an estimato of this size has been made public, although the oil industry has suspected for some time that the Monagas reserves might be large.

The new oilfield, almost three miles underground, was discovered in an area which had been drilled extensively to a shallower depth. Re-evaluation of seismic data indicated that there could be deposits at the deeper level.

After initial technical difficulties in drilling so deep, Petroleos de Venezuela (PDVSA), the state oil company, confirmed three years ago the existence of a light crude, low in sulphur content, which flowed freely from the borehole.

The company suspected that initial wells producing between 5,000 and 6,000 barrels of light oil per day in the eastern areas near El Furrial and Musipan, indicated the existence of huge deposits of petroleum that had not been touched by the shallower drilling.

An executive at PDVSA said that the discoveries at El Furrial and Musipan point to the existence of a "supergiant field" and that recoverable oil reserves in Venezuela's eastern basin could reach 11.3bn barrels.

Venezuela estimated its true reserves of crude oil at over 58bn barrels at the end of 1987 – up from 55.5bn barrels in 1986.

Venezuela last year was ranked seventh in terms of world crude oil reserves by a specialised American magazine, Oil and Gas Journal, standing between the Soviet Union and Mexico.

Officially proved reserves at Monagas now stand at 800m barrels, although this is expected to be increased shortly to 1.2bn barrels.

Commodities, Page 38

CONTENTS

TECHNOCRAT LEADER READY FOR ELECTION BATTLE

The Baden-Württemberg Premier, Lothar Späth, would like to avoid coalition rule, Page 28

Netherlands to slash corporate and income tax

BY LAURA RAUN IN THE HAGUE

THE DUTCH cabinet unveiled a sweeping package of economic proposals yesterday which would slash personal income taxes by Fl 4.3bn (£1.3bn), corporate taxes and premiums by Fl 5.4bn and the government budget by Fl 3.4bn.

Under the proposals, which cover 1988-90, personal income taxes at the top marginal rate would be cut to 60 per cent from 72 per cent, while lower rates also would be trimmed. Corporate profits taxes for most companies would be pared to 35 per cent from 42 per cent and for the remaining small companies to 40 per cent.

Welfare premiums paid by companies for the state's trial subsidy scheme would be abolished, which, together with the corporate tax cut, would provide Fl 5.4bn in fiscal relief for industry.

Government spending would be cut most deeply in a variety of social welfare programmes, where two-thirds of the total Fl 3.4bn would be saved. The rest of the austerity measures would be spread across the government ministries' budgets.

Mr Ruud Lubbers, the Prime Minister, said the huge package was aimed at shrinking the budget deficit to 5.25 per cent of national income by 1990 as promised by his centre-right coalition. The dramatic measures also are designed to get the country in step with the rest of the European Community before completion of the single market in goods and services in 1992, he said.

The Netherlands is burdened with the highest taxes and welfare premiums in the EC and spends more on social welfare than any other member. While neighbouring countries have been lowering taxes in recent years, the Dutch have been loth to do so for fear of widening an already big budget deficit, now around 7.6 per cent of national income.

In order to compete in the barrier-free Europe, however, the Netherlands must conform, Mr Lubbers stressed.

The economic package will be financed with the Fl 9.95bn economic package for individuals, and companies will be financed with Fl 4.25bn in investment subsidies from a recently abolished scheme, Fl 3.35bn in smaller tax productions, and Fl 2.1bn in windfall tax revenues.

The cabinet has met continuously in emergency session for the past three days to hammer out a package that would carry the Christian Democrat-Liberal coalition to the end of its term to 1990. The negotiations have taken on an added sense of urgency in the wake of the cabinet's recent abrupt decision to scrap the WIR investment subsidy scheme for industry, which provoked calls for a wider debate on the Government's whole social and economic policy.

Protestors prevent work on Italian nuclear plant

BY JOHN WYLES IN ROME

THE ITALIAN Government's key decision before its resignation last Friday was duly repudiated yesterday when 200 or so protestors prevented construction work restarting on a nuclear power station north of Rome.

This direct action by militant environmentalists and sundry left-wing groups will be cited by the Socialist Party as popular support for its demand that work at Montalto di Castro must remain suspended until a new government decides on its future. It was Socialist hostility to his forcing through last Thursday's decision on Montalto which prompted Mr Giovanni Goria, the Christian Democrat Prime Minister, to resign.

It is still not clear whether the mega-tonage of this nuclear ingredient is powerful enough to impose a lengthy deadlock on the attempts now being prepared to provide Italy with a 48th post-war coalition Government.

But it has undoubtedly contaminated the atmosphere between the two main protagonists, the Christian Democrat and Socialist parties, who are, in any case, beginning the government-forming ritual from rather distant positions.

The Christian Democrats are expected to decide today that their secretary, Mr Ciraco De Mita should be their candidate to replace the hapless Mr Goria. Mr De Mita will wrap himself in a policy document saying that the next Government must be "strongly based" and ready to face up to the need for institutional reform, cuts in the Government's borrowing requirement and for policy changes required by the 1992 deadline for the creation of the European Community's internal market.

As far as Mr Bettino Craxi, the Socialist leader, is concerned "strongly-based" is merely a "high sounding" adjective. The parties must, he says, agree on policy details for institutional reform and also the future of Montalto. He looks unlikely to repeat his veto, first issued last July, on Mr De Mita as Prime Minister, but he may yet exercise it in a different form by blocking policy agreements.

Pay dispute hits Alitalia

BY JOHN WYLES

ITALIAN union leaders were last night facing a serious challenge to their authority in three months from workers at Rome's Fiumicino airport protesting against a new pay deal.

Alitalia was forced yesterday to cancel about half of its flights out of the capital because of stoppages by ground staff.

This was the second time the two sides had negotiated an agreement because the first, in mid-December was turned down by ground staff, over half of whom work at Fiumicino. Since then almost weekly stoppages have created serious problems for travellers on Alitalia.

The new agreement is slightly more generous than the 25-26 per cent increases over three and a half years settled to December. The most important change affects working hours which are to be cut from 40 hours to 37.5 a week by 1993 for all workers and by 1990 for shift workers.

Wider arms development links sought by France

By Paul Betts in Paris

FRANCE has launched a campaign to enlarge defence collaboration with its allies in Europe and the United States in an effort to reduce the rising costs of major new defence programmes.

Mr Andre Giraud, the French Defence Minister, emphasised yesterday France's openness to collaboration with allies on a number of important arms programmes, ranging from sub-strategic nuclear missiles to France's new generation fighter aircraft, Rafale.

He was speaking during the inauguration of a missile research centre belonging to Aerospatiale, the state aerospace group.

Mr Giraud said both the US and Britain were showing interest in collaborating in

Giraud: foreign interest.

Aerospatiale's air-ground medium range sub-strategic missile, ASMP. He added that the Canadians were interested in co-operating in the Eryx anti-tank missile being developed by Aerospatiale, while the British were expected to join the Franco-German AC3G anti-tank missile programme.

The minister said he noted growing interest in Washington for Franco-American collaboration on defence programmes during a visit last week to the US where he had talks with Mr George Shultz, the US Secretary of State, and Mr Frank Carlucci, the Defence Secretary.

There was increasing interest on both sides of the Atlantic on transfers of sensitive defence technologies to help save costs in expensive defence research and development. But he stressed that technology transfers had to be "a two way system".

Paris and Washington are currently negotiating a series of transfer of technology agreements to help develop the radar system for the Rafale.

Mr Giraud also indicated he was keen to develop international collaborations with the West Germans, the Americans and the British on the Rafale. But collaboration would become increasingly difficult as the programme advanced.

While insisting that there was no question of France having second thoughts about the aircraft, he said he was adopting the most pragmatic approach possible towards the programme which could still be adjusted to favour international co-operation.

Mr Giraud has long advocated collaboration between the Rafale programme and new generation fighter projects elsewhere in Europe and North America. Indeed, his support for collaboration has become increasingly vocal in recent months, although it is not entirely clear how far this represents a progressive shift in French defence priorities.

EC heads for road-block over lorry quotas

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN Community transport ministers were yesterday approaching deadlock over controversial plans to scrap the bilateral quotas which govern more than half the EC's lorry traffic.

A compromise plan tabled by Mr Jurgen Warnke, the West German minister chairing the meeting, was immediately condemned by the European Commission, the UK, the Netherlands and Denmark as being too soft. "The only question now is whether they move into deadlock at rapid speed or slow speed," said one diplomat. British officials said the compromise was "disappointing and unacceptable."

Bonn's main supporters, Mr Jacques Douffiagues, the French Transport Minister, and Mr Calogero Mannino, his Italian counterpart, pleaded fruitlessly with Mr Warnke to accept the Commission's demands for a legal commitment to ban lorry quotas after 1992, the target date for the creation of a single European market. Neither of them, however, was prepared yesterday to oppose Bonn outright.

West Germany was insisting instead on leaving open any firm promise to liberalise the road haulage industry. Its compromise proposes an annual 40 per cent enlargement in the number of quotas member states issue for cross border trips and only says "bilateral quotas may be abolished."

Bonn says it cannot accept an end to quotas until there is agreement on proposals to the pipeline to harmonise drivers' working conditions, lorry road taxes and fuel taxes. Its own highly taxed and tightly regulated freight carriers would otherwise lose business to the Netherlands and Belgium, fears the Bonn Government.

Yet the Commission was yesterday showing no signs of budging from its insistence on a binding promise to scrap quotas. Mr Stanley Clinton Davis, the transport Commissioner, told ministers that failure to agree would make it impossible for the EC to negotiate quotas for lorry trips to and from non-member states and would throw the Community road haulage business into uncertainty. Failure to scrap quotas was also inconsistent with the EC's campaign to dismantle frontier barriers by 1992, he said.

Commission plans for common drivers' hours and road taxes, produced largely in response to Bonn's anxieties, are at too early a stage in their formation to win member states' agreement.

Belgium and the UK were yesterday sceptical about how Brussels might put into practice plans to levy lorry road taxes according to which routes the owners used most heavily, dubbed "territoriality" in EC jargon. They were joined by the Netherlands and Luxembourg in questioning whether differences in national tax levels constituted as serious distortion to trade as Bonn was claiming.

Any attempt to set common fuel taxes, meanwhile, will be caught up in the Commission's separate and politically fraught campaign to reduce overall disparities in value added tax and excise duties.

Brussels gives ground in telecoms dispute

BY DAVID BUCHAN IN BRUSSELS

A CLASH between the European Commission and several member states over the precise legal form by which Brussels should seek to liberalise the market in telecommunications terminal equipment has resulted in a temporary stand-off.

After several EC governments objected last week on legal grounds to a Commission plan to issue its own directive against national equipment monopolies, the Commission has decided to call a further meeting of national officials at the end of this month and hinted that it will wait to have the whole issue discussed by EC telecommunications ministers at the end of April.

The Commission maintains it has the power to issue the directive on terminal equipment on its own authority under Article 90 of the Rome Treaty, while certain member states, notably the UK, France and West Germany, insist that will be a dangerous misuse of the Article 90 clause, eroding national governments' rights in other areas.

But compromise still seems possible. While disagreeing on the legal means, the Commission and governments agree on the ends – the economic need for a freer telecommunications market. In addition, Commission officials admit that no directive of theirs could have much practical effect until EC governments first agree to give mutual technical recognition to the different types of terminals made in their countries.

Progress on Belgian coalition

By David Buchan

THE FIVE Belgian political parties which are trying to form a coalition Government have agreed on the timing, though not on the substance, of constitutional and economic reform.

Mr Jean-Luc Dehaene, the Flemish Christian Democrat politician appointed by King Baudouin to try to arrange a coalition, reported modest progress on a legislative timetable yesterday, as Belgium clocked up a near record 90 days without a proper Government.

Mr Wilfried Martens, leader of the Flemish Christian Democrats, has served as caretaker Prime Minister since the December 13 election which produced gains for the Socialists, particularly in French-speaking Wallonia.

Mr Dehaene said leaders of the five parties, representing Christian Democrats and Socialists, in the French- and Dutch-speaking parts of the country, plus the Volksunie Flemish nationalist party, had agreed in principle to tackle economic reform by the summer and constitutional reform in the autumn.

He conceded, however, that the knottiest problems, particularly how education should be devolved to the regions, had yet to be unravelled.

Mr Dehaene has been deliberately seeking five-party agreement on the easier issues first. He defended this apparently dilatory approach by saying that "the urgency to have a solution should not be confused with precipitation to get a solution" and that rushed negotiations could make matters even worse.

His strongest defence, however, is that no-one else wants to take on his thankless task.

Bonn economy grows

The West German economy continued to grow in the first months of 1988 and should attain government forecasts of real 1.5-2 per cent growth for the whole year, a government spokesman said yesterday, Reuter reports.

In January, orders rose 3.8 per cent and output rose 2.2 per cent.

Workers flex their muscles in easier Soviet political climate

BY CHRISTOPHER BOBINSKI IN MOSCOW

SOVIET WORKERS, encouraged by Mr Mikhail Gorbachev's more liberal policies, have been resorting to work stoppages and other collective protests as ways of resisting wage cuts and attempts to tighten labour schedules, according to the Smot independent trade union group.

Mr Yuri Denisov, a 36-year-old former waiter who is one of the group's leaders, says that issues which spark discontent, in Moscow at least, are attempts to compel employees to work extra Saturdays, introduction of a third night shift, and moves aimed at paying less for the same output.

The pressure on workers comes from the general drive throughout the economy to raise production and improve efficiency. There has been unrest at plants like the Temp television works and the Wars motor repair yards to Moscow; some have even been reported to the Soviet press.

According to Mr Denisov, the tactic employed by management to defuse the tension is to negotiate with delegates put forward by the workers and promise to satisfy their demands. Once the issue has been resolved, however, the more active workers' leaders risk victimisation, although in the capital at least the fear of bad publicity restrains management from sacking them.

Smot is one of the more radical of the autonomous groups which have appeared as a result of the Gorbachev thaw. In contrast to the others, though, Smot dates back to 1978, when its handful of activists were either imprisoned or held to psychiatric hospitals. It has enjoyed a revival since 1986 and now claims 600 active members to Moscow, Leningrad, Volgograd and 11 other cities.

Later this month it plans to come together with another group led by Mr Vladimir Klebanov, the Donbass miner who in 1977 was the first Soviet worker to raise the free trade union issue and as a result spent many years undergoing forcible treatment in psychiatric hospitals.

● Pravda, the Soviet party newspaper, has complained that ministerial officials are impeding direct contacts between their own and Eastern European companies. Such grassroots joint venture agreements are a priority task, according to the Soviet leadership, but few have actually been signed.

An article in Pravda yesterday said that while, for example Czechoslovak companies send management and specialists to meetings, the Soviet delegations are composed of usually incompetent bureaucrats and negotiations drag on interminably as a result.

GORBACHEV HAS FIRST TALKS IN FIVE-DAY VISIT TO YUGOSLAVIA

MR MIKHAIL GORBACHEV arrived in Yugoslavia yesterday at the start of a five-day visit and held a first round of talks with President Lazar Mojsov, writes Aleksandar Lebl in Belgrade. The visit is intended to reaffirm friendly ties with non-aligned Yugoslavia 40 years after an acrimonious ideological dispute drove a wedge between the two Communist states.

Mr Gorbachev's tour will include stops in the northern republic of Slovenia, which has been compared to the Soviet Union's economically advanced Baltic states, and the booming Adriatic tourist resort of Dubrovnik in the south.

He will also visit factories and farms which Soviet officials say he will use to learn more about Yugoslavia's economic self-management system and its possible adaptation to his own reform drive.

Jail term call in Turkish trial

BY JIM BODGENER IN ANKARA

HEAVY SENTENCES have been demanded for two detained Communist leaders by a Turkish state prosecutor in an Ankara security court. Mr Haydar Kutlu and Mr Nihart Sargin were arrested on their return from self-imposed exile last November prior to the general election at the end of that month which returned Mr Turgut Ozal and his Motherland Party to a second term.

The two may pay the price of misjudging the extent of political freedom in Turkey and the Government's tolerance when sentence is delivered following a court case soon. Mr Kutlu and Mr Sargin, leaders respectively of the proscribed Turkish Communist Party and Turkish Workers' Party, had hoped to merge the latter into a new grouping, the Turkey United Communist Party.

Both leaders had been in self-imposed exile since the early 1980s. However, on their arrival at Ankara airport on November 16, they were arrested and have been detained ever since.

The state prosecutor has demanded that each receive a jail sentence of 66.5 years for attempting to found a Marxist-Leninist party, propagating such dogma and to do away with the present political order and constitution by forming a state based on class discrimination. He has also asked that two of their lawyers – who have spent two days in custody themselves – and 14 other accused receive jail terms of between five and 12 years. They are charged with being members of an illegal Communist organisation, and engaging in Communist activities.

Both leaders have alleged torture by their jailers. Mr Kutlu in February suffered a heart spasm, a result of his being tortured, according to his lawyers. These allegations come at a sensitive time for the Government, which signed Council of Europe and UN anti-torture conventions in January.

Pumping by press fails to move Mitterrand

By David Marsh in Durbach

TWO blue-coated West German petrol-pump attendants holding a banner protesting shop-closing regulations provided a surrealistic backcloth yesterday to French President Francois Mitterrand's continued stonewalling about his electoral ambitions.

The sturdy guardians of the pumps were on hand in the wine-growing village of Durbach in the Black Forest foothills, as Mr Mitterrand met Mr Helmut Kohl, the West German Chancellor, for a private chat and lunch in the local restaurant.

The French and West German leaders seldom have much more than pleasantries to impart after such meetings.

But the turnout by press and camera teams was numerous, because of the continuing suspense over whether Mr Mitterrand will stand in the presidential election next month.

Mitterrand: lunch and a chat

At a news conference in the packed church hall, the French President, who seems to look smaller and paler of late by the side of the towering Mr Kohl, again disappointed those waiting for him to declare his hand.

Whatever the friendly state of Franco-German relations, he told a questioner, he would not be making any declarations on the election on foreign soil.

Mr Kohl stepped in manfully to declare that Franco-German ties had evolved "independently of personalities."

He stressed none the less his strong personal links with Mr Mitterrand, evoking for the umpteenth time their hand-in-hand gesture on the First World War battle site of Verdun three years ago.

The Chancellor, during his five years of conversations with the sybilline Mr Mitterrand, has certainly picked up some hints on how to give non-communicative answers to reporters' questions.

Asked about East-West relations, he rejected the idea that nothing had changed under Mr Mikhail Gorbachev. On the other hand, he meandered, it was also wrong to say that everything had changed.

Patience would be required, he said grandly. Mr Mitterrand concurred sagely.

After this exercise, there was little left to do for the reporters who had swarmed across from France but to interview the two petrol-pump men.

They explained to all who would listen that they were forced to keep open round the clock to sell petrol, but faced prosecution if they marketed their other wares of wine, beer or groceries after the statutory shop-closing hour of 6.30 in the evening.

Mr Mitterrand left before making any comment on the matter, but, had he done so, it would have been guarded.

Franzo Grande Stevens says corporate management must be separate from ownership, reports David Lane in Milan

Lawyer who tightened the Agnelli dynasty's grip on Fiat

AVVOCATO Franzo Grande Stevens has secured his place in the history of Italian company law. He seems certain to be remembered as the man who tightened the Agnelli family's dynastic control over its Fiat empire.

Until last May probably few Italians, outside a restricted circle of businessmen and legal cognoscenti, had heard of this Turin lawyer. Now he is often sought for interviews.

Mr Grande Stevens' clever yet simple idea of reorganising the Agnellis' shareholdings within a limited partnership ensures that the family keeps its cast iron, 40 per cent grip on Fiat, easily Italy's biggest private sector company.

The scheme has gained other important adherents in the Orlandos and Ferruzzis and could catch on among Italy's many successful family firms. "The reorganisation of the Agnellis' shareholdings has caused widespread interest, from France, Germany and Switzerland as well Italy," said Mr Grande Stevens, who is often described as the family's *avvocato di fiducia* – trusted legal adviser.

"It is a mechanism for keeping families united and preventing a breach. Outsiders are kept strictly outside," he explained. It is also a way of keeping shareholders locked in when family ties weaken. As well as ensuring tight control over ownership, the limited partnership serves to separate this from management, and prepares Fiat for the day when there will not be an Agnelli at the helm.

"Families which fail to separate ownership from management eventually lose control of their businesses. When share are held in a limited partnership, a member of the owning family seeking to run the firm can be prevented from doing so. Appointments need the consensus of the managing partners and approval by a majority of the ordinary partners," he said.

"An intelligent, enlightened capitalist does not attempt to lead a company unless he has the ability. Managers in advanced capitalist economies must be technically and professionally up to the mark. It does not follow that owners have the qualities needed by managers," said Mr Grande Stevens.

Convincing the Agnelli family to adopt the measure to avoid dilution of their control over Fiat probably did not stretch Mr Grande Stevens' powers of persuasion. Notwithstanding a long list of corporate commitments, he still spends about 40 per cent of his time in court on litigation and keeps his advocacy skills sharply honed.

Neapolitan by birth, Mr Grande Stevens is a member of the well known Italo-British Stevens family. His great grandfather was British consul general to Gallipoli, an Apulian fuelling port for the British fleet.

Mr Grande Stevens studied law at Naples University. He left his birthplace on graduation and moved to Turin to undertake post-graduate work in commercial law. After marrying his professor's daughter he remained in the Piedmontese capital, setting up his own "studio" and enjoying a rapid rise up the legal ladder.

At the very young age of 29 he qualified as an appeal court lawyer. A sound sense of direction led him from Naples of the 1950s, then as now chaotic, bourbonic and economically backward, to the order of Turin and the openings which the 1960's economic miracle was about to bring.

Now president of the *Consiglio Nazionale Forense*, the highest body of Italian lawyers, Mr Grande Stevens would be the first to step forward if such a difficult and perilous need arose again.

The current decade has allowed Mr Grande Stevens to lengthen his list of corporate appointments. He is on the boards of 11 quoted companies. As well as being extensively involved with the Fiat Group and companies within the orbit of the Agnelli family, Mr Grande Stevens is chairman of Cigahotels, the luxury hotel group, and Fimpar, in both of which the Aga Khan has a controlling stake.

Stevens: "Outsiders are kept strictly outside"

On the legal front, he is currently representing the Istituto Bancario San Paolo di Torino, one of Italy's biggest banks, in its battle with the state hydrocarbons holding corporation ENI. ENI seeks compensation from its bankers for the considerable sum which it lost when the central bank allowed the lira to free-fall.

Mr Grande Stevens' mediating qualities are currently being tested in the dispute between state-owned engineers Ansaldo and private sector Franco Tosi. The Turin lawyer is sitting as independent chairman of an arbitration committee.

With his experience, Mr Grande Stevens is well placed to appraise the Italian business world. He considers that the biggest change of the 1980s is the increased availability of information. "There is much greater transparency. The requirement that groups should publish consolidated financial statements finally forces the true state of corporate health to be revealed," he said.

But tough rules are needed on directors' qualifications. "The directors of quoted companies ought to satisfy certain requisites. I would like to see the same as those laid down by the Bank of Italy for bank boards. Directors would thus have to meet professional and ethical standards," he said. Convicted criminals and directors of companies forced into receivership should be excluded from the boards of Italy's quoted companies.

Though critical of some aspects of Italy's Civil Code, Mr Grande Stevens claims that it contains one item which places it in the vanguard of company law. "We are behind compared to some countries, but on one matter, the leveraged buy-out, we are much further ahead. This amoral operation weakens companies but is allowed in Anglo-Saxon law," he said.

Mr Grande Stevens suggests that using a target company's own assets for corporate raiding is totally contrary to the social function of the firm. "Those who operate in this way are not industrialists or businessmen but pirates," he said, pointing out that borrowing to buy one's own shares is forbidden in Italy.

On the Italian need for anti-trust legislation Mr Grande Stevens seems little disposed to champion rapid or big changes. With its growing concentration of industrial and financial power, Fiat is increasingly the target for criticism. So it is not surprising that the Group's legal counsellor should adopt a somewhat cautious line.

Mr Grande Stevens emphasises that the real threat to healthy capitalism comes from the abuse of privileged positions, whether in industrial, commercial or financial markets. Competition is the fundamental issue which needs to be safeguarded. "Large concentrations are not necessarily contrary to the collective interest. If they are, then Unilever and Philips should be condemned," he said.

When Fiat was passing through a low point about ten years ago it launched an extensive advertising campaign to check the erosion of its image. Now back to health, but being attacked for flexing corporate muscles, this could be the moment to open another campaign. Mr Grande Stevens does not agree. "Fiat's best campaign is to work well, to produce wealth and to create jobs," he said.

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Israel toughens line on farm exports to EC

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI Government has hardened its already unco-operative attitude towards the direct export of Palestinian farm produce to the European Community.

This follows last week's decision by the European Parliament to reject a trade agreement with Israel and censure Jerusalem for its handling of the unrest in the Occupied Territories.

At a meeting with Arab farmers' representaives in the West Bank town of Jericho yesterday, an Israeli inter-governmental committee made clear that it had no intention of honouring - at least for the time being - an undertaking to Brussels to permit the use of Israeli ports for this purpose.

Israel insists that all Palestinian agricultural - but not manufactured - goods destined for markets where they could compete with Israeli produce be channelled through one of two Israeli *state-owned* marketing organisations, Agrexco and Citrus Marketing Board.

Until this year, some Arab farmers, facing dwindling demand from their traditional customers in the Arab world and Eastern Europe, took advantage of the opportunity to export through these bodies.

But, encouraged by firm backing from the European Commission in Brussels, they are now insisting on shipping their goods on their own, labelled "Produce of the West Bank."

Written understandings reached in December between the Israeli Foreign Ministry and Mr Claude Cheysson, European Commissioner for Mediterranean affairs, on the terms under which Palestinian farm produce would be shipped through Israel, cleared the way for the EC Council of Ministers to approve a draft trade protocol with Israel.

Crucially, though, these undertakings were never endorsed by either the Agriculture or the Defence Ministries in Israel, the latter being responsible for the administration of the Occupied Territories.

Impatient over the delays, the Commission has already delivered two protests to the Israeli Embassy in Brussels on the subject.

Stung by the European Parliament's action - moves interpreted in Jerusalem as a form of sanctions against Israel - the committee has now made clear that export licences enabling the Palestinians to export their goods independently will not be issued for the foreseeable future.

Instead, General Fredy Zach, Deputy Co-Ordinator of the Civil Administration, responsible for the running of the region, urged the farmers to revert to sending their produce across the Jordan to other Arab countries offering exporters improved facilities if they took up the proposal.

Europe air passenger traffic rises by 12%

EUROPEAN airline passenger traffic rose 12 per cent in January compared to the same month a year earlier, the Association of European Airlines announced yesterday, Reuter reports.

The rise continued the strong traffic growth recorded by AEA member-airlines in 1987, the group said.

Data for the first time included statistics from Air Malta, which recently joined the association, bringing the number of AEA members to 22 airlines.

The growth in passenger traffic in January was strong on all routes except the South Atlantic, the AEA said.

Freight traffic in January jumped by 15 per cent, the highest rise since September 1984.

UK warns EC states on shipping rights

By William Dawkins in Brussels

THE British Government yesterday warned its European Community partners that it would retaliate if they do not agree to allow foreign ships to collect and deliver goods along their coastlines.

Mr Paul Channon, UK Transport Secretary, told n meeting of his EC counterparts in Brussels that Britain will clamp down on other Community shipping lines' rights to practice so-called cabotage along British coasts if they do not agree to Commission proposals to liberalise the coastal shipping trade.

At present, the UK, Ireland, Belgium and the Netherlands are the only countries in the Community to allow foreign shippers the full right to pick up and deliver loads between ports on its coastline.

Other member-states restrict that right to their own national lines and only allow *foreign* vessels to unload foreign goods. Mr Channon said the UK Government was considering forcing shipping lines from other member-states to establish an office in Britain as a condition for being allowed to carry internal coastal traffic.

The Commission put forward plans in 1976 to liberalise coastal shipping, but the scheme has proved the most sensitive of any part of Brussels' broader attempts to remove barriers to trade in the shipping industry.

Victor Mallet looks at constraints on growth in Africa's showpiece tourist industry

Kenya's booming safaris close to saturation

WITH A *LITTLE* help from Meryl Streep, Robert Redford and the nostalgic feature film "Out of Africa", tourism seems to have overtaken both coffee and tea last year as the largest source of dollars for the Kenyan treasury.

Americans and Europeans, wearing floppy hats and fashionable tropical kit, come in their thonsands to go on big game safaris or soak up the sun on the Indian Ocean beaches near Mombasa.

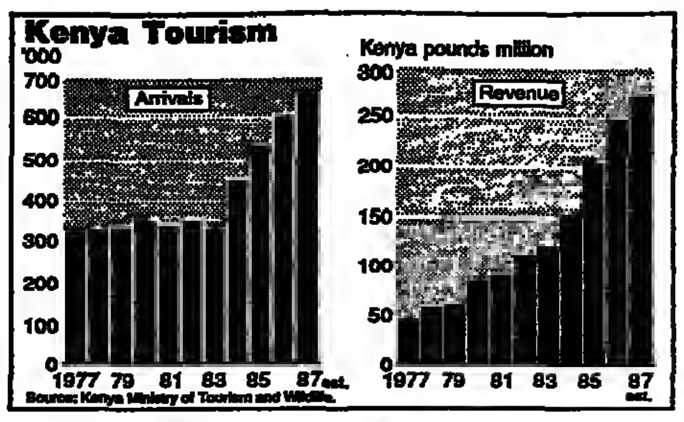
The consistent success of Kenyan tourism, in marked contrast to the ups and downs of the industry in neighbouring Tanzania, is e tribute to the sophistication of the economy and the relative strength of the country's infrastructure of hotels, transport links and communications.

Visitor arrivals have doubled in 10 years from 329,000 in 1977 to an estimated 665,000 last year, when they brought in some K£275m Kenya (£183m), the Ministry of Tourism and Wildlife says. The official target for the near future is 1m visitors.

However, some tourist industry officials are dubious about the accuracy of official arrival figures for 1986 and 1987, and the future of Kenyan tourism is by no means secure. Expansion for Nairobi-based safari operations is restricted by a shortage of hotel beds in the capital and in the game parks, and by conservationists' fears that the parks are already suffering from overuse.

"Put any more vehicles there and you turn it into a bloody zoo," says one tour operator of Maasai Mara, one of the most popular game reserves. "At one stage," says another member of the industry, "there were 23 vehicles around a cheetah. That sort of thing doesn't do us any good."

Despite the stock market crash, frequent robberies in Nairobi and news of recent border skirmishes between Kenya and Uganda, the safari industry remains buoyant after a boom year in 1987. The high season lasts from June all the way through to March. "America goes through periods when things are in vogue," says Mr David Markham, Executive Director in Kenya of tour operators Abercrombie and Kent. "Right at the moment, Kenya and safaris and Africa are in vogue."



Source: Kenya Ministry of Tourism and Wildlife.

There are plans to build new luxury hotels to ease the bottlenecks in Nairobi, but the saturation of the popular game parks is a more difficult problem to solve. "What we've got to do," says Mr Markham, "is try to attract into the country more and more tourists whose priority is not necessarily looking at animals."

Unfortunately cultural or ornithological tours to less frequented parts of Kenya can only absorb a limited number of visitors. The tour operators say that the Government, after years of successfully leaving tourism largely in the hands of the private sector, should now take the lead by improving roads and communications both inland and on the coast.

At the coastal resorts, which cater for the majority of visitors and perhaps half the total revenue, bookings have been falling, partly because of the fear of Acquired Immnne Deficiency Syndrome (AIDS). Kenyan coastal holidays were sometimes sold, particularly in West Germany, as sex safaris.

Average coastal hotel bed occupancy was only about 57 per cent last year, compared with 66 per cent in 1986. This year for the first time tour operators are offering special cheap deals during what should be the high season in January and February.

Like the inland trade, coastal tourism will require additional government investment in services such as water supplies and electricity if it is to expand substantially in the long term. The private sector is pleading for tax and tariff incentives for tourism development and an international publicity campaign for Kenya.

"We would like to see from the government a definite tourism development programme," says Mr John Havelock, secretary of the Kenya Association of Hotelkeepers and Caterers, "as well as some lead in overseas marketing and e recognition of tourism as an important industry."

W Germans in nuclear accord with Chinese

By David Marsh in Bonn

WEST German nuclear engineering companies have signed an accord with the Peking government on working towards building a joint 100 MW high-temperature reactor (HTR) in China worth DM1bn (£328m).

The agreement was announced by the Mannheim-based Brown Boveri engineering group, part of a consortium including Deutsche Babcock, Mannesmann, Strabag and the Essen-based Innotech energy technology concern.

The HTR, of which two development reactors have been built in West Germany, is rated as a particularly promising export prospect because of its safety features.

The agreement, signed in Peking between Innotech as consortium leader and the Chinese Nuclear Industry Ministry, paves the way for joint work on a 100 MW reactor.

The accord will allow detailed negotiations on delivery contracts, technology transfer and financing to be carried out over the next 18 months.

ENI-Venezuela chemicals deal

BY JOE MANN IN CARACAS

THE VENEZUELAN Government and a subsidiary of ENI, the Italian energy group, are to invest $276m (£153.3m) in a new 500.000 tonnes-a-year petrochemicals plant in Eastern Venezuela.

The plant will produce MTBE - methyl terciary butyl ether - an additive used to increase the octane level in petrol. The Venezuelan Government said this facility would be the second-largest of its type in the Western hemisphere.

Partners in the joint venture are Pequiven, the Venezuelan Government petrochemical company, and Ecofuel, e unit of ENI. Pequiven and Ecofuel will each hold 49 per cent share in the new company, to be called Superoctanos CA. The remainder will be sold on the Venezuelan stock market.

The two partners will supply 40 per cent of funding for the project, and 60 per cent will come from export credits and commercial bank loans.

Engineering, procurement and construction work will be managed by Snamprogetti, another ENI unit, and Technoconsult, a Venezuelan engineering company.

AP adds from Caracas: Venezuela and Britain may co-operate through shared technology and joint ventures in oil-related industries.

Likely areas of co-operation include petrochemicals and gas, according to Venezuela's Energy Minister Arturo Hernandez Grisanti, and Mr Peter Morrison, Britain's Secretary of State for Energy.

Mr Morrison met Mr Hernandez and other oil officials as part of a courtesy visit. He said six British industrialists in oil-related fields will visit Venezuela within e month to discuss possible joint ventures.

UK set for E German orders

BY DAVID GOODHART IN LEIPZIG

THE EAST GERMAN determination to reduce dependence on West German machine tools is set to benefit the UK, according to the London-based Machine Tool Trades Association.

At the annual East-West Trade Fair in Leipzig, Mr John Nosworthy, the association's director-general, said: "We have high hopes that our members will pick up orders from Leipzig worth up to £40m." That will be several times more than current annual exports of machine tools to East Germany.

Mr David Butler, a National Westminster Bank executive, explained: "There seems to be a political desire to reduce dependence on West Germany in this field.

But many East German companies might simply buy tools from UK-based subsidiaries of West German companies.

Reuter adds: Atari Corp ATC, the US computer manufacturer, hopes to set up a joint venture with a Soviet partner, Atari Corp (Deutschland)'s managing director, Mr Alwin Stumpf, said.

Mitsui plans to write off Iran debt guarantees

MITSUI of Japan plans to write off debt guarantees totalling Y42.1bn (£181m) covering loans to Iran in their ill-fated joint venture petrochemical project there, *Reuter reports from Tokyo.*

Mitsui may write off guarantees on loans made to Iran by European banks to enable it to invest in the Iran-Japan Petrochemical Co (IJPC), possibly before March 31, an official said.

Mitsui and four of its subsidiaries, all shareholders in Iran Chemical Development Co, guaranteed *loans* to *Iran totalling* Y100bn.

"It is group policy to write off debt while our financial health is strong enough to do so," Mitsui said.

The debt is not currently covered by overseas investment insurance provided by Japan's Ministry of International Trade and Industry.

Japanese companies and Iran's National Petrochemical Co have invested a total of Y600bn in the 50-50 joint venture since 1971, but work made little headway after the Iran-Iraq war broke out.

Israeli military orders curfew in Gaza Strip

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI army yesterday ordered a curfew in the occupied Gaza Strip and said access to the strip would be closed for five hours every night in an attempt to prevent the spread of unrest in the occupied territories. An army official said the curfew order would take effect until further notice.

It is the first time a curfew has been imposed since the unrest began three months ago and demonstrates the Israeli authorities' lack of control over the situtation in the territories. It also represents a further tightening of sanctions against the Palestinians.

An unofficial ban by Israel on fuel deliveries to tronhled districts began to bite yesterday as petrol stations in the occupied West Bank ran out of fuel and homes were became chilly.

The explanation given privately by the Israeli military is that recent attacks on delivery trucks have necessitated a temporary suspension of supplies. Until further notice, only Jewish settlements and essential institutions such as hospitals, are being refuelled.

But several officials from different departments confirmed yesterday that selective economic sanctions are being applied against Palestinian villages and towns where there has been persistent unrest. The action is also a clear reprisal for the mass resignations in recent days of Arab local government employees.

"We try to find different ways of bringing calm to the area, pin-picking specific areas (of unrest)," said one army officer, referring to the now officially abandoned policy of forcing open shops which were closed during commercial strikes.

Another senior official from the Defence Ministry in Tel Aviv, a civilian, confirmed that fuel supplies to the West Bank and Gaza Strip had been suspended – initially for a trial period of a week. But he said the possibility of prolonging the ban had been left open.

With this action, the Israeli anthorities have turned to one of the most effective weapons in their locker and, at the same time, sharply raised the stakes in their escalating confrontation with the shadowy organisers of the uprising.

The 1.5m residents of the occupied territories are quite dependent on Israeli distributors of refined oil supplies – for cooking, heating and transport – sold through Arab-owned petrol stations operating on a franchise basis. And, with winter showing few signs of letting up in the hilly West Bank, the absence of kerosene means that the stone-built Palestinian houses will soon turn into icy boxes.

Overseas banks 'evading Seoul liquidity curbs'

BY MAGGIE FORD IN SEOUL

FOREIGN BANKS have been accused of using a new and possibly artificial monetary instrument to pump nearly $800m into the South Korean economy, causing money supply targets to overshoot and fuelling inflation.

The Bank of Korea, the central bank, has banned the issuing of any more option contracts after $2.6bn worth of deals were signed in three weeks last month. The banks were using the option contracts as a method of making loans to South Korean companies, it says, evading government restrictions designed to reduce liquidity in the economy.

Foreign banks have been allowed to trade in options since last October, mainly to assist companies with currency hedging to avoid exchange rate losses connected with the appreciation of the currency. But the "European option" invented last month is, in fact, a disguised loan, according to the central bank.

Under the deal, a South Korean company sells a put option on a currency at a rate well below the current market exchange rata, to be exercised by the bank in a year's time. Ths company also takes out a forward contract on the relevant currency to be able to redeem the option contract. The difference between the market exchange rate and the option contract rate is used by the company as a loan.

South Korean companies have faced exceptional difficulties in borrowing funds over the past few months as the central bank battled to control the money supply, boosted by the trade surplus. The option contracts accounted for half the rise in the foreign sector money supply in February, the bank said. The rise in the inflation rate from 3 per cent to at least 8 per cent at an annual rate in the past few months is causing serious concern to economic planners.

The central bank has threatened to punish ths banks involved, mostly the large US money centre banks.

It is difficult to see what the anthorities can do to punish them. A possibility is for the Government to look at ways of dealing with the local companies involved.

MPs thwart Indian bill to slip in emergency powers

BY K.K. SHARMA IN NEW DELHI

ANGRY opposition members of the Rajya Sabha, the upper house of the Indian parliament, yesterday successfully thwarted government plans to hustle through an amendment to the constitution which, they feared, was aimed at slipping in the emergency powers. The late Mrs Indira Gandhi used such harsh powers during her two-year emergency rule from 1975 to 1977.

After prolonged and persistent efforts failed to gain more time for debate on the bill, for which the Government gave only two days' notice, opposition members noisily marched to the well of the house and shouted anti-government slogans.

The spontaneous and unique demonstration drowned out the opening speech of Mr Buta Singh, Minister for Home Affairs, and the chair had to adjourn proceedings. In stormy behind-the-scene meetings, the opposition successfully forced the Government to agree to extend the debate until at least tomorrow.

This makes the future of the Constitution Amendment Bill uncertain as Mr Rajiv Gandhi's ruling Congress-I Party does not have a two-thirds majority needed to have it passed in the upper house (it has a safe four-fifths majority in the Lok Sabha, or the lower house). The opposition plans to mobilise its strength fully today.

DIVISIONS AMONG MOST OF THE PLAYERS IN GENEVA

Afghanistan deadline likely to pass

BY ROBIN PAULEY, ASIA EDITOR, IN GENEVA

THE Soviet deadline for signing an accord in Geneva for the withdrawal of 115,000 Soviet troops from Afghanistan expires today with increasingly chaotic divisions among most of the key players.

A lot will certainly happen today, but there will be no signing ceremony. Mujahideen groups, now an alliance of splits, are expected in Geneva any day. Mr Abdul Wakil, the Afghan Foreign Minister, has a called a noon press conference at which he is expected to blame the Pakistanis and Americans for having ensured that nothing could be signed today. And Mr Zain Noorani, Pakistan's deputy foreign minister, is due to announce Pakistan's final position on whether or not to sign the withdrawal accords following another smergency Cabinet meeting in Islamabad yesterday.

The Pakistanis have been holding out to get an interim transitional government for Kabul onto the Geneva agenda. The Afghans, backed by Moscow, have refused. Their delegations come and go at the Palais des Nations to talk with Mr Diego Cordovez, the increasingly frustrated UN mediator. But behind the scenes there are serious divisions.

First, Pakistan is split. Most pnblic opinion backed by the opposition parties and a number of important Cabinet ministers want Mr Noorani to sign quickly and get the Soviet withdrawal underway by Mr Mikhail Gorbachev's target date of May 15.

President Zia ul-Haq has so far resisted, fearing that unless a broad-based coalition is in place in Kabul first, the 3.5m Afghan refugees in Pakistan will not return home. Mr Mohammad Khan Junejo, the Prime Minister, is reported to be privately increasingly unenthusiastic about this approach to Geneva. Mr Noorani does as he is told.

Second, the Mujahideen are hopelessly split. The seven main groups based in the Pakistan border town of Peshawar have formed what is increasingly an alliance of disunity. Four are more extreme in their Islamic ideology than the other three.

What each really wants is power and each leader knows that whoever gets power is unlikely to lease much of it to the others.

The paper over the cracks tore last week when Professor Sibghatullah Mujaddidi, leader of one of the smaller more moderate groups resigned from the alliance saying the extremists had been trying to assassinate him and were exerting too much pressure on the moderates. He changed his mind two days later and reinstated himself.

Two days after that Mr Yunis Khalis resigned as leader of the alliance together with Mr Rasul Sayaf. Both are fundamentalist hard-liners who have resigned over the decision of the others to send representatives to Geneva.

The Kabul Government of President Najibullah has its own serious divisions to contend with.

The People's Democratic Party of Afghanistan is made up of two quite separate groups – the Khalqs and the Parchams – the latter being the more bourgeois and better educated. Mr Najibullah does not have a majority even among his own Parcham group. There are signs that the Khalq wing is the ascendant and increasingly supported by Moscow with Maj Gen Mohammad Gulabzoi becoming an important focus of Khalq support, reflecting its strength in the army.

Anthony Robinson on the assumptions behind Pretoria's defiance

South Africa in a political whirlpool

FOR A SMALL albeit regionally powerful country like South Africa to defy the United Nations to "do its damnedest", effectively cocking a snook at the prospect of further economic measures against Pretoria, while at the same time seeking to impose its own solution to the Angolan civil war on the superpowers, takes what the Israelis call "chutzpah", or cheeky defiance.

But that is what South Africa has been doing, and this week sees the unfolding of the latest developments in both areas. In Washington a new and tougher sanctions bill comes up for consideration by Congress, just as a further round of negotiations over Angola, and the linked issue of Namibian independence, gets under way.

The meeting in Geneva yesterday between Mr Pik Botha, South Africa's foreign minister, and Mr Chester Crocker, the US assistant secretary of state for Africa, coincides with reports that Pretoria has conducted low level unofficial contacts with Moscow, which backs the MPLA government in Luanda. The Geneva talks presumably inclnde discussion of the recent proposal by General Magnus Malan, South Africa's defence minister, that the MPLA should form a coalition government in Luanda which paves the way for the withdrawal of foreign troops in Angola.

But playing the great power game is a tricky business which could prove damaging to South Africa's real security interests if it turns out to be based on false assumptions.

When Mr Les Manley, Pretoria's ambassador at the UN, stalked out of the debate called in protest against the recent banning of 17 extra parliamentary organisations, it led to a hardening of the resolution to include mandatory economic sanctions.

The British and US veto in the Security Council was a limited tactical victory. It is, however, likely to be followed by strategic defeat if the US Congress approves the new and even more comprehensive sanctions bill proposed hy Rep Ron Dellums. Debate on this starts in Washington next week.

This would not only further depress US-South African trade – down 44 per cent over the first nine months of 1987 – but would lead to virtually irresistible pressure on remaining US companies, incinding Mohil Oil, and on South Africa's other trade partners, especially Japan which is now Pretoria's biggest single trading partner.

What South Africa's defiant UN stance does appear to reveal is dangerous complacency about the potentially harmful effects of more sanctions and disinvestment. Until Pretoria's latest curbs on extra-parliamentary groups and their foreign funding, government economic advisers, including Mr Gerhard de Kock, the Reserve Bank Governor, were emphasising how well South Africa had adjusted to the debt squeeze, disinvestment and sanctions in the short run.

Now a rapidly shrinking trade surplus, a decling rand and higher interest rates are underlying the fragility of a recovery based on higher consumer demand and a booming "informal" township economy. Exports, in particular, are stagnant, or declining. The prospect now is for a new wave of disinvestment and sanctions pressures emanating from the US but spreading to other trading partners who hitherto have filled the gaps left by departing Americans and others.

An element of unreality also permeates the peace offer made to Moscow, significantly by General Malan, not the foreign minister. In the eyes of Pretoria's military intelligence only South Africa and the Soviet Union have the military might to determine the fate of Angola. Over the last nine months Pretoria has opted for a high risk strategy aimed at pursuading Moscow and Havana that the war cannot be won.

On the ground, rebel Unita forces are equipped with US-supplied Stinger missiles and backed by the South African airforce, the army's long range cannon and up to 8,000 South African and Namibian troops. They threw off last October's Moscow-ordered offensive against Unita's forward base at Mavinga in South East Angola. Then Unita passed over to the offensive with the aim of destroying the Angolan forward base at Cuito Cuanavale.

At the same time Pretoria has also been waging war on ths South West Africa Peoples organisation (Swapo).

Western correspondents who recently visited Cuito with Angolan government forces, however, reported that morale was high among Cuban-backed Fapla forces there and saw a convoy of around 500 vehicles on its way from Menongue to re-inforce the besieged town. The Soviets are also reported to have shipped additional supplies to Angola in recent months.

The implication seems to be that rather than cut its losses, as in Afghanistan, Moscow has decided to prevent a humiliating military defeat and prepare for a counter-offensive. Thus far Pretoria has admitted losing just over 40 white, mainly conscript soldiers, and a handful of planes and pilots. It has not revealed losses in the Namibian ethnic battalions, composed largely of former Angolan black soldiers who perform an infantry support role.

At this level the losses are still politically tolerable. But as the recent 18-month sentence meted out on Dr Ivan Toms, a prominent conscientious objector shows, the military are aware that military service on the border or in the townships, a major reason for white emigration, is not popular and would quickly become less so if the coffins started to come back in larger numbers.

General Malan's offer to Moscow also contains no mention of Namibia. Non-government foreign policy and Soviet analysts here believe that only an agreement which linked Cuban and Soviet withdrawal from Angola with independence for Namibia would be sufficient to tempt a Soviet/Cuban withdrawal. Even that fails to take into account Moscow's reluctance to be seen to make a move which weakened its ANC and Swapo protegees.

The new wave of international hostility set off by Pretoria's curbs on opposition groups furthermore makes it even less likely that Moscow will listen to General Malan's call. Meanwhile, the right-wing surge at the recent by-elections makes it even harder for Pretoria to consider granting independence to a prohably Swapo-run government in Namibia. With Pretoria having

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MR PIK BOTHA, the South African Foreign Minister, yesterday rejected the latest proposals for the disengagement of Cuban forces from Angola as lacking in detail, writes William Dullforce in Geneva.

The MPLA government in Luanda had accepted in principle the need for the removal of all the Cuban troops and had acknowledged the link between the Cuban withdrawal and peace settlements in Angola and Namibia.

However, Mr Botha said after two sessions of talks with Mr Chester Crocker, the US Assistant Secretary of State for African Affairs, the Angolan Government had not submitted a detailed proposal.

"We want figures, schedules, the numbers to be withdrawn in given time-frames. That is the real issue," Mr Botha said.

Luanda radio reported on Sunday that, after talks last week with US State Department officials, Angola and Cuba had offered the US a timetable for the withdrawal of the Cuban forces.

This appeared to meet Pretoria's principal condition for complying with the UN resolution on Namibia's independence.

Mr Botha said he would leave Geneva today.

Bank paralysis adds to pressure on Jayawardene

BY MERVYN DE SILVA IN COLOMBO

THE 16,000 bank employees, who have paralysed work at the leading Sri Lankan state-owned banks with a ten-day go-slow have threatened to strike this week unless their demand for a 50 per cent pay increase is granted. Lengthening queues of angry, frustrated clients of the Bank of Ceylon and the Peoples' Bank present yet another threat to President Jayawardene's Government, hard-pressed on all fronts.

clear monthly remittances, the families of migrants working in the Middle-East caused a near-riot in the heart of the city. A leading garments manufacturer tore up his export permits on the last date of shipment; a mother, clutching a cheque for RS 400 (£7.25) collapsed.

While the mood in the queues sours, President Jayawardene told the ruling UNP's executive committee that if the Government concedes the bank employees' demand, other unions, in state and private sector, would follow.

After waiting four days to

"The sum involved, about Rs250m, is small but wage demands and inflation can mean disaster in this dangerously troubled political situation," said a senior treasury official.

In spite of soaring defence costs, a 30 per cent drop in tea and rubber prices, the two main exports, and a prolonged drought, the Government had done well in holding down inflation, he said. The drought has hit rice and coconut production. Inflation which exceeded 30 per cent in 1981-82, is down to 12 per cent.

"As a result, the World Bank, IMF and the donors have kept supporting us," he said.

Launching of a new party preserves Malay dominance

Roger Matthews on the stern survival tactics of a beleaguered premier

THERE IS today in Kuala Lumpur a temptation to conclude that Dr Mahathir Mohamad, the Prime Minister of Malaysia, has joined ths ranks of those few leaders who somehow manage to survive, whatever the political odds. Any one of the crises which have assaulted his premiership during the past two years could have toppled a lesser man in other countries.

In quick succession he has been challenged by the impact of recession, a series of scandals involving some of the country's most important financial institutions, the desertion of his own deputy prime minister, an almost even split within his party over his leadership qualities, a period of alarming tension between the country's two main races, and a judicial decision declaring his own political party an illegal organisation. By any standards that is a formidable list of misfortunes.

Yet, today, conventional wisdom in Kuala Lumpur is that Dr Mahathir is firmly in control, indeed more so than he has been at any time during the past 24 months. If that should appear paradoxical then it probably owes most to the convention born out of the 1969 communal riots that political power must ultimately rest with the Malay community who form just over half the population. The Chinese (35 per cent) and the Indians (just under 10 per cent) may contribute to the governing process, but always in a subsidiary role.

As the main beneficiary of that convention, Dr Mahathir has a colossal advantage. Whatever his failures, or his excesses, he is perceived as both the representative and the protector of Malay interests. A clever politician, which Dr Mahathir unquestionably is, can relate his own survival to that of the community. If he or his party is diminished then so, too, are the ambitions of the Malays.

It is a theme which the prime minister has developed to telling effect in the past two months during which he suffered the supreme indignity for a party leader – the discovery that he had no party. The United Malays National Organisation (UMNO), the party which led Malaysia to independence more than 30 years ago and built up a membership of 1.4m, was no more.

It was outlawed by an independent-minded High Court judge who had been asked to rule on the status of branch delegations who voted in last April's bitterly fought contest for the leadership, which Dr Mahathir survived by the slimmest of margins. The complainants, no friends of Dr Mahathir, had asked the judge to rule the elections null and void because the branches were not correctly registered. The judge went one better, to the consternation of both sides.

But once the initial shock had worn off, the leadership of the now illegal UMNO, perceived an advantage. Instead of seeking legal devices whereby the party could be reborn, Dr Mahathir and his allies decided to launch "new UMNO". This route offered the attraction of making all 1.4m Malays who belonged to the old UMNO seek membership afresh and, of course, the opportunity to refuse applications from those whose loyalty to the leadership was suspect.

That lack of loyalty to Dr Mahathir was all too evident in the days after the High Court decision. The first group to move was that headed by Tunku Abdul Rahman, the country's first prime minister and "father of the nation" who, supported by another former prime minister, and by Tunku Razaleigh, the ex-Industry Minister, who had come close to toppling Dr Mahathir last April, sought to register their own version of UMNO. The application was rejected by the registrar but the prospect had been raised of the intra-party strife descending into a more basic struggle for grass roots support among the Malay community.

It was a hopeless attempt by Dr Mahathir's opponents. Their ability to make themselves heard had been severely reduced in October when Dr Mahathir used the sweeping powers of the Internal Security Act to arrest more than 100 people and halt the publication of three newspapers.

The detainees, of whom over 30 remain imprisoned without trial, and the newspapers were all accused of stirring up racial strife in the run-up to a mass UMNO rally in Kuala Lumpur at the beginning of November.

The purpose of the rally had been to demonstrate support for Dr Mahathir bnt had instead raised the spectre of clashes between the Malay and Chinese communities. By cancelling the rally at the last moment, Dr Mahathir was able to present himself as the defender of racial harmony while also silencing some of his fiercest critics.

His success in retaining the reins of power has, however, been achieved at a high price. The freedom of the press has been severely curtailed, politicians have been jailed without the chance of defence, the spirit of consensus and compromise which served UMNO so well for 30 years is in tatters, and the Chinese and Indian communities, who make such a large contribution to the nation's economic health, feel significantly less sure about the country's future.

This in turn does nothing to stimulate an already depressed pattern of domestic private sector investment, so vital if Malaysia is to check the growth in unemployment and offset the threats posed by lower world economic growth.

Perhaps worst of all, the Malay community has become a political battlefield. Instead of two main factions there is now evidence of further splits developing, in both the ruling and opposition camps. The rebirth of UMNO threatens to exacerbate rather than heal the wounds

Inventories lower than first feared

BY ANTHONY HARRIS IN WASHINGTON

US BUSINESS inventories in January were a little more than 1 per cent lower in relation to sales than in the same month in 1987, according to figures published by the Census Burean yesterday.

These figures, hased on detailed survey work, appear largely to have revised away the reported jump in US inventories shown in the fourth quarter GNP figures. When these were figures announced, they provoked a sharp rise in the bond markets, and inspired forecasts of a drop of at least 1 per cent in total economic growth in the first quarter of the current year.

At the retail level the report does show a sharp rise in stocks of non-durables in relation to sales; but the detailed numbers show that this is entirely due to what has become known among US analysts as the hemline crisis.

The investory/sales ratio for all non-durable retailers rose by 5.7 per cent over the year, but this was due entirely to a 14 per cent jump in clothing inventories, while sales in fact fell. For the rest of the sector stocks rose by 7 per cent while sales rose by 7.5 per cent.

While bad weather discouraged some shoppers, the main cause was a sharp drop in sales of womens' ontwear, reflecting deep doubts about which way fashions were moving. Experts in the field say that Mr Giorgio Armani, the Italian designer, has now resolved this sectoral crisis.

A further surprise in the figures is that stocks of unsold cars, which had been reported as a big problem, were in fact lower in relation to sales in January than a year earlier. Sales, promoted by heavy discounting, havs remained buoyant, but the inventory bulge seems to be restricted to one or two domestic manufacturers.

The longer-run figures confirm a steady rise in business inventories through the second half of 1987, hut from a somewhat unusually low level.

PLO envoy to UN vows to defy US

Perez de Cuellar: violation

THE PLO ambassador to the United Nations vowed yesterday that he would defy a US order to close the Palestine Liberation Organisation mission, AP reports from New York.

"We hava the right to stay here, we will stay here and we will stay where we are," said Mr Zehdi Labib Terzi, the PLO's permanent observer at the UN.

The General Assembly may reconvene this week in an emergency session to consider the issue, UN officials said.

Secretary-General Javier Perez de Cuellar was yesterday drafting a letter of protest of the US decision to close the PLO's UN Observer Mission under a US anti-terrorism law.

"If somebody tries to kick us out, we will not respond," Mr Terzi said, adding he had no plans to leave the US, where his mission has operated for 13 years.

"The only way they will make me leave is to put me behind bars and take me away."

The PLO envoy also said that if the PLO mission is closed, as ordered by the US Justice Department, then the General Assembly should deny Israel the right to participate in UN debates on the Middle East.

"If the Palestinian people are not allowed to be here," he said, "then out of a sense of fairness and justice, the other party to the conflict should not be here – namely Israel."

Informing Secretary General Javier Perez de Cuellar last Friday of the decision to close the PLO mission under the 1987 Anti-Terrorism Act, Mr Herbert Okun, the US delegate, said this was "irrespective of any obligations the US may have under its agreement with the United Nations that established UN headquarters in New York.

Mr Perez de Cuellar called the US response a clear violation of the headquarters accord and strongly protested to Mr Okun.

Diplomats on all sides said the dispute had far-reaching, serious consequences for the US and the UN.

Many delegates questioned how the world body could function effectively in New York after Congress passed a law to close the PLO mission despite the headquarters agreement.

The agreement, which established the UN on a 12-acre site alongside the East river, obligated the US to facilitate the entry and functioning of any party invited to attend UN meetings.

The UN invited the PLO in 1974. The PLO shortly afterwards set np its permanent observer mission in a million-dollar townhouse, which also serves as home for Mr Terzi, who has led the mission from the outset.

EPA backs off cancer study on herbicide

The US Environmental Protection Agency says it will not launch a special study of a widely used herbicide suspected of causing cancer among farmers because other research has not confirmed the suspicion, AP reports from Washington.

A major commercial user, however, said it would not put the chemical back in its lineup until the cancer picture is clarified, and a scientist with an environmental group called the EPA's decision "outrageous."

The herbicide is 2,4-D, short for dichlorophenoxyacetic acid and is used to control weed growth.

In 1986, the National Cancer Institute found that farmers in Kansas who used 2,4-D more than 20 times a year, mixing their own formulations, had an eight times greater chance than normal of getting a cancer called non-Hodgkin's lymphoma.

Reagan to seek fresh vote on aid to Contras

PRESIDENT Reagan will seek another vote by Congress this week on aid to Nicaragua's Contra rebels in an attempt to stave off the collapse of resistance to the leftist Sandinista government, the White House said yesterday, Reuter reports from Washington.

"Time is running out for the resistance. They're running out of food, they're having problems with their medical snpplies, they're having to move back to their snpply lines in many cases," Mr Marlin Fitzwater, the White House spokesman, said yesterday.

"Ws need (an aid) package immediately and we need a vote immediately," he said.

Mr Fitzwater said Mr Reagan would discuss the urgency of the situation with Republican and Democratic congressional leaders at a White House meeting today.

Conservatives win two top cities in Colombian poll

BY SARITA KENDALL IN BOGOTA

COLOMBIA'S opposition Conservative Party has won the two biggest cities in the country's first mayoral elections, but the Liberal government has maintained overall dominance.

Despite fears of violence, tight security ensured a quiet polling day on Sunday.

The new Conservative mayors have been targets for drugs traffickers, and both are important figures in the news media. Mr Andres Pastrana, who took the capital by a comfortable margin, was kidnapped in January. The 33 year old television executive and son of former President Misael Pastrana has promised to govern Bogota with representatives of all political colours, and to combat drug consumption.

Mr Juan Gomez, who is director of Medellin's main newspaper, successfully fought off a kidnap attempt by a drugs gang, but the paper's offices were damaged in a guerrilla bombing last week.

With over three quarters of the vote counted, the left wing Patriotic Union Party has won 14 towns. In several others, the elected mayors were backed by coalitions which included the Patriotic Union. The president of the party said the results were as satisfactory as could be expected, considering the killings and harrassment suffered by candidates in recent months.

The Liberal split which gave Mr Pastrana his victory at Bogota has cansed an unheaval in the party. The younger, more progressive Liberal leaders had hoped to impose a new impetus on the unresponsive party structure, or even to break away and form a new political gronping. But such talks had already given way to calls for Liberal unity.

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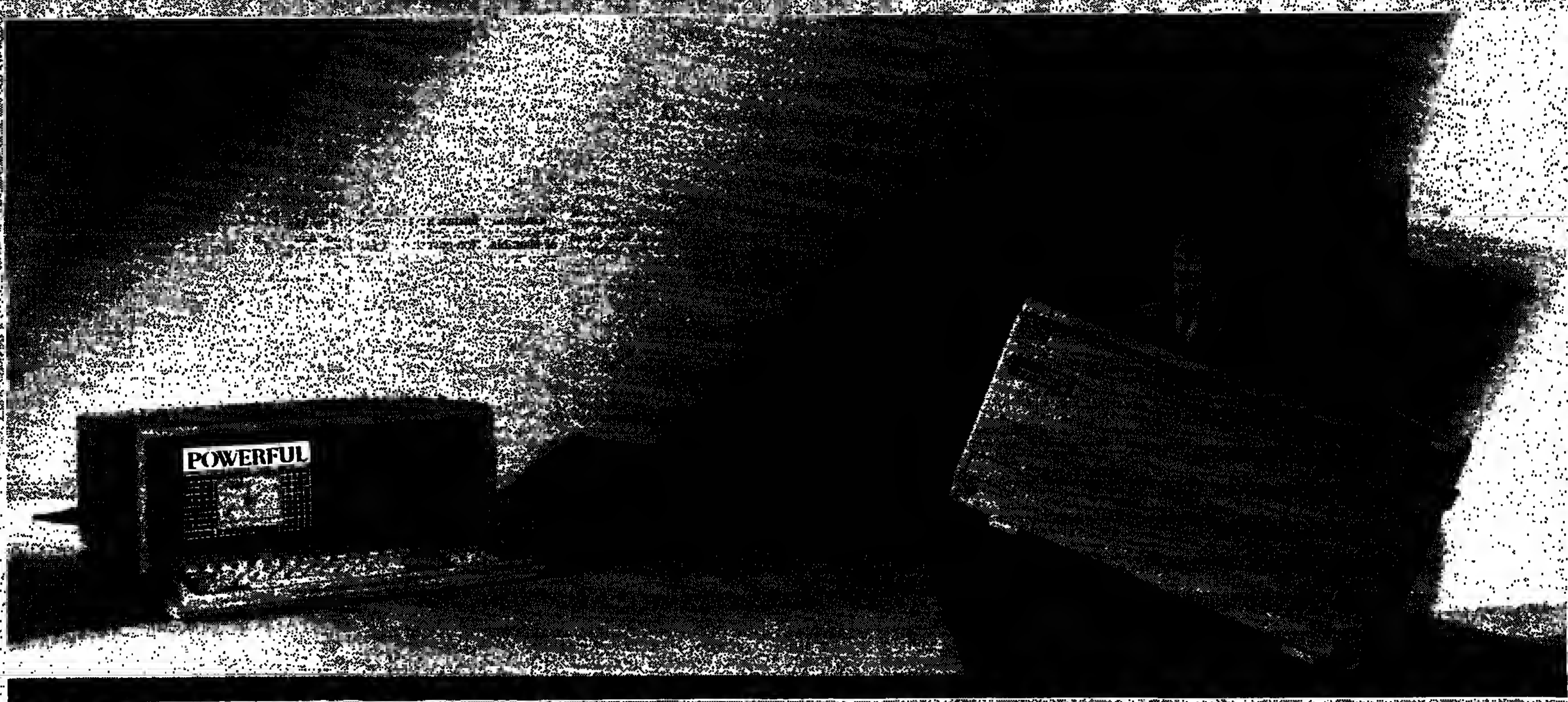

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Pinochet woos middle class vote ahead of plebiscite

GENERAL Augusto Pinochet's regime is hoping for an improved sense of economic well-being among Chileans to claim victory in the one presidential plebiscite planned for later this year.

To this end, authorities have organised a massive publicity campaign extolling public works projects and other economic developments over the last 14 years, and announced a series of populist economic measures such as relief for Chilean domestic debtors.

The Government is also seeking additional relief on the country's foreign debt, despite commercial banks' reluctance to extend new credits. Last year Chile signed a agreement with its creditors in which the country received no new money but retimed its interest payments, thus yielding an additional $450m.

Mary Helen Spooner in Santiago reports on a series of populist economic measures

Officials now say they would like to "introduce greater flexibility" into last year's agreement, recurring to the voluntary credit market for an undisclosed amount. Mr Hernan Somerville, the head of Chile's debt negotiation team, has held three meetings in New York with creditor banks this year.

Central bank officials say that lowered interest rates and the country's improved economic indicators, including a 5.4 per cent growth in gross domestic product (GDP) last year and a continued decline in inflation to 18.3 per cent over the past 12 months, make such step feasible.

Chile's 1988 budget is based on an average estimated copper price of $0.75 to $0.78 per pound, more than $0.3 under the accumulated price for the metal over the past 12 months.

This conservative estimate, along with the move to seek additional external financing, has raised suspicions in opposition political circles that the regime is really seeking to create an artificially favourable economic atmosphere before the plebiscite, and even to bankroll its own campaign on behalf of the Government's still unnamed presidential candidate.

Early this year Mr Hernan Buchi, the Finance Minister, announced a new package of economic measures which included reduced taxes on automobiles and luxury goods such as video recorders and colour television sets. With the exception of the devaluation, which seemed aimed at helping the country's exports, most of the measures appeared directed at courting middle class Chilean consumers.

Last month General Pinochet, speaking to a crowd of Government supporters in the northern city of Arica, announced that Chilean homeowners would have their mortgage payments pegged in accordance with wage increases rather than the sliding index used by the central bank to determine domestic debt obligations. This announcement came as a surprise to the Chilean Finance Ministry, which later developed a plan whereby mortgage debts could be rescheduled using the central bank's foreign debt coversion programme.

The plan provides for debtors to buy US dollars on Chile's parallel market, buy foreign debt notes – which are currently priced at about 60 per cent of face value – and trade the notes for pesos at their full dollar value.

One analyst estimated that the programme would cost the central bank, which limits the monthly amount of debt paper transacted, between $35m and $42m, since the mortgage holders' transactions would not be charged the finance commissions which other buyers of Chilean debt paper must pay.

The recent economic measures have been accompanied by a highly professional advertising campaign on Chilean television, radio, press and posters which extols the Government's achievements.

One such advertisment, appearing in Chile's Sunday newspapers, showed a close-up of a smiling elderly couple with the headline, "we are millions". The accompanying text said that in 1970 almost 2m Chileans "were submerged in hunger, illness and the desperation of misery," and that today "more and more chileans have e decent life."

While such publicity is presumably paid for with Government funds, potential regime supporters bave been urged to buy advertisments as well.

The official claim of economic progress, along with the barrage of pro-government publicity, has placed opposition groups slightly on the defensive. Mr Patricio Aylwin, president of the Christian Democrats, Chile'e largest political party, recently complained that the regime had magnified the economic changes out of proportion, giveu that a certain degree of progress is almost inevitable over a period of 14½ years.

Alexander Nicoll reports on a shift of mood evident among heavily-indebted nations and their creditors

A return to tradition of 'muddle-through'

IT IS possible to paint two completely different pictures of the state of the 5½-year-old debt crisis of developing countries.

Picture one: though it is a slow business, debt strategy is paying off with many debtor countries enacting economic reforms which will return them to creditworthiness. Some are again beginning tentatively to tap international capital markets.

Picture two: debtor countries are faced with impossible debt servicing burdens which will lead to massive write-offs of their loans. According to this view, any visible progress is an accounting fiction which merely puts off the evil day for banks while delaying much-needed benefits to debtor countries.

There can be no doubt that for the world's poorest countries, the second picture is correct. Initiatives such as that of Mr Nigel Lawson, British Chancellor of the Exchequer, to ease terms for them – though bogged down in bureaucracy – have already recognised this.

The issue for debate is the outlook for middle-income heavily-indebted countries, mostly in Latin America. Are they on a road back to creditworthiness or not?

This will be the focus for both creditors and debtors as they gather in Caracas this week for the annual meeting of the Inter-American Development Bank.

Debt strategy has changed in emphasis since Mexico's insolvency in 1982 put the rest of Latin America into a similar predicament but it has essentially remained the same. The pattern has been for countries to negotiate economic programmes with the International Monetary Fund which would form the basis for new finance from official and private creditors, as well as for the stretching out of debt principal repayments.

This time last year, the so-called "muddle-through" approach appeared to be utterly in disarray.

In February, Brazil had just become the first major debtor formally to withhold interest from banks. It had already refused to deal with the IMF. It sought a radical new approach from official and private creditors. At the same time, a package of new money and rescheduling for Mexico was proving extremely difficult to get together.

Until then, most of the world's banks had not reflected doubts abont eventual repayment of Third World debt in their balance sheets. But in May, Citicorp, the largest private lender and top bank negotiator with the developing world, responded to these two situations by adding $3bn to its loan loss reserves.

Its share price rose in response and banks across the US, in Britain, Canada and the Middle East were forced to follow suit. Continental banks were generally already more heavily provisioned and Japanese banks remain much less so.

Banks argued that provisioning strengthened their negotiating hand with debtors. But debtors inevitably saw it as formal recognition by banks that their debt would never be repaid. Since Citicorp made much of the fact that it planned to "liquefy" its loan portfolio, debtor countries looked more closely at the value of their debts in the secondary market, where Brazilian loans are quoted at 46 cents on the dollar, Mexican at 48 cents and Argentina's as low as 28 cents.

The result was an intensification of the desire of debtor countries to "capture the discount" – benefiting from the depreciated value which banks themselves put on the their loans. Brazil, still in militant mood, caused consternation with a plan to convert compulsorily loans into bonds which would have a lower face value or a lower interest rate. This was rejected as a "non-starter" by Mr James Baker, the US Treasury Secretary.

Mr Baker did, however, later lend the Treasury's name to a Mexican scheme with essentially the same format, but with the important difference that it was voluntary for banks. They were invited to tender their loans in exchange for bonds with a lower face value but with the attraction of higher interest and principal collateralised by Mexican holdings of a special issue of US government securities. In addition, the new bonds were "exit" vehicles, exempting holders from future calls for new "forced" loans.

The Mexican proposal could have been an important step towards widespread debt forgiveness, since participating banks would in effect be forgiving the amount of the discount to face value which they put on their loans in tendering them.

Two events, however, have shifted the mood of the debt crisis.

First, the Brazilian Government returned to the negotiating table with an essentially traditional approach. Mr Mailson da Nobrega, its new Finance Minister, has admitted that the costs of its moratorium outweigh the benefits. It has already made big strides in negotiating a new loan and rescheduling with the banks and plans an economic accord with the IMF.

Secondly - perhaps emboldened by Brazil's change of heart – banks essentially snubbed Mexico'e offer. Only 139 out of more than 500 creditor banks tendered any of their exposure and only 95 of them at discounts which Mexico could accept. The response was such that Mexico accepted discounts as low as 25.01 per cent, far narrower than it had hoped. Instead of retiring a net $10bn as it wished, it managed to cancel $1.1bn.

Critics of the banks say they missed a golden opportunity to engage in orderly and realistic debt forgiveness. They would have had a stronger asset and the debtor would have been in a stronger economic position.

The outcome of Brazil's decision and Mexico's offer – as well as Argentina'e avoidance of confrontational moves despite a severe liquidity crisis – is a reaffirmation of previous debt strategy with the long-term aim of returning the debtors to the capital markets.

For adherents of this approach, Venezuela's decision to issue a $100m Euroboud last month could not have come at a better time. It was the first Latin American country which has rescheduled its debts in the 1980s crisis to return to the capital markets. At the same time, Mexico has substantial reserves and the economies of Chile, the Philippines and some other debtors are much healthier.

The death of the US-sponsored Baker Plan is frequently declared. It was designed to keep the rescheduling process going in concert with growth-oriented economic adjustment policies. But its principles are still being applied, with the crucial exception that substantial new financing flows which it foresaw have not materialised.

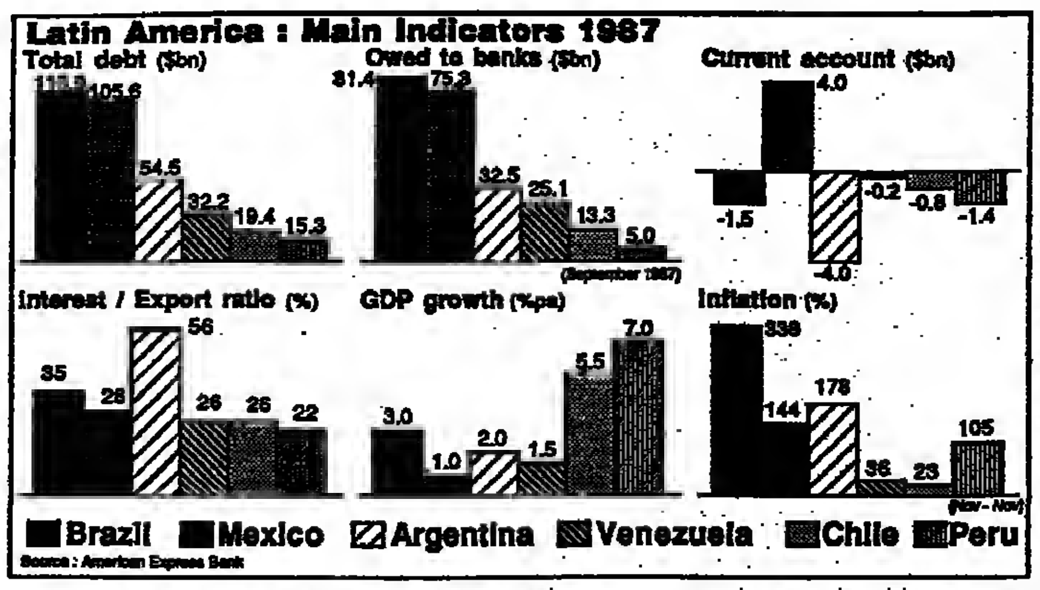
The "menu of options", by which banks are allowed to put up new financing in a variety of ways, is being expanded. This worked well in Argentina's deal last year, and is likely to be amplified in Brazil's: for example, an "exit" vehicle similar to Mexico's, but learning from that experience, is almost certain to be included.

A key debate in Brazil's talks is whether banks will have the option to capitalise their interest – add it on to existing principal – as an alternative to putting up new money.

Elsewhere, there are signs of greater flexibility which could also shore up debt strategy. Mr Michel Camdessus, IMF managing director, is talking of lengthening the monitoring periods of debtor countries' economies.

Cynics would say that all this is mere whistling in the wind. Developing countries face huge negative net transfers if they continue to service their debts and this will be increasingly politically unacceptable. What will happen when the industrialised economy turns downwards, reducing the debtors' export potential?

Much depends on whether Brazil, as the largest debtor, can back its change of heart with public spending cuts and other economic reforms. If it cannot, and fails to win an agreement with the IMF, the outlook will perhaps be even bleaker than it was a year ago.



Bankers stand by principle that loans must be repaid

BY DAVID LASCELLES, BANKING EDITOR

THE huge increases in provisions made last year by many international banks – mainly in the UK and the US – mark one of the major developments on the Third World debt front. But the full implications of that move may take some time to show through.

Virtually all major banks have stressed that the provisions are not a prelude to widespread debt forgiveness, or even to a greater willingness to write the debts down. The poor response of banks to the Mexican bond initiative was an indication of that.

Even those few banks which have gone so far as to write part or all of their loans off – Bank of Boston and American Express, for example – have said they still expect to be repaid. This firm stand represents an attempt by bankers to reconcile their provisions with their determination not to yield on the principle that all borrowers must honour their obligations. Debt forgiveness, says Sir Kit McMahon, chairman of the Midland Bank, is "a slippery slope".

Following last year's moves, big US banks have provisions equivalent to about 25 per cent of their outstanding loans to countries in financial difficulty. The British banks are somewhat higher: up to 35 per cent. On the continent they are higher still: 40 per cent or more, rising to over 60 per cent at the strongest banks. In Japan, banks have only provided 5 per cent, the maximum at which they can claim tax relief, but they have been permitted to create a special offshore subsidiary as a parking place for Third World debts.

Ironically, the sharp increases in provisions have not all been made with the enthusiastic backing of bank regulators, who tend to prefer a gradual approach to sudden lurches which leave banks showing huge year-end losses. Both Mr Gerry Corrigan, president of the New York Fed, and Mr Robin Leigh-Pemberton, the Bank of England governor, have warned banks publicly not to overdo their provisions because of the danger of harming their own financial condition and encouraging debtor countries to renege on their debts.

The Bank of England's attempts to introduce some order to the provisioning process by devising a "matrix" has kept UK banks broadly in line with each other and given the weaker ones an excuse to make larger provisions than they could otherwise afford. The question now is whether this practice will extend to other major lending nations.

Eveu if large provisiou increases have not produced a hoped-for break in the debt logjam, they should contribute to the steady erosion which is reducing the scale of the debt mountain.

Mr John Reed, the chairman of Citicorp who led the provisioning move, stresses the greater flexibility which his bank now has in dealing with the debt problem.

Bankers do, however, feel more optimistic about the debt situation. The provisions make them feel more secure and the recent progress in negotiations on a new financing package for Brazil is held up as evidence that debtor countries see the benefits of dealing with their creditors. There is even the prospect that banks may be able to claw back some of their provisions if problem countries get their debt servicing back on track. In the long run, though, bankers still say their aim is to restore the creditworthiness of debtor nations rather than permit themselves any hope that the debts will be fully repaid.

Banks and Third World Debt
Sovereign exposure

	as % of equity	% provided
Commerzbank	82	35E
Deutsche Bank	17	70
Dresdner Bank	62	60E
Credit Suisse	38	45E
SBC	17	60E
UBS	24	50E
Barclays	83	25
Lloyds	141	38
Midland	143	27
NatWest	45	30
Chase Manhattan	228	23
J.P. Morgan	90	25
Man. Hanover	329	22
Citicorp	185	28

Source: Citicorp Scrimgeour Vickers, and Citicorp 1986 Annual Report

Brazilian nationalists squirm at return to negotiation

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL'S public admission this month that its debt moratorium failed to resolve or even relieve the country's economic problems has proved a sobering pill to swallow for the militants in the country's Congress.

Only 12 months ago when the moratorium on interest payments on some $68bn in commercial bank debt was first called, the country felt something akin to a sense of relief.

At last, it seemed, the truth had to be faced. The unpayable debt had now become unserviceable and it was up to the creditors to accept the fact.

Today, two changes of finance minister later, Brazil's return to the negotiating table has been applauded as "realistic" by the business community.

With even short-term trade credits beginning to dry up, they endorsed the view of Finance Minister Mr Mailson da Nobrega that the moratorium had brought few benefits while merely serving to accentuate the country's critical lack of investment capital.

For the nationalist politicians, the humiliation has been harder to accept. They are mystified by the failure of the country's foreign reserves to recover more rapidly – they are still believed to be under $5bn – and bitterly disapointed that the moratorium failed to prove more of a lever on the banks.

Consequently, many are arguing that Mr Nobrega and his team could have held out for better terms. Senator Severo Gomes, a leading debt policy specialist in the majority Democratic Movement Party (PMDB), summed up the preliminary accord as "everything we did not want".

"They have settled the short term, threatening our reserves which are still very low, on the basis that we will wait and see what happens in the future. It only needs a rise in interest rates in the US or a fall in our trade surplus for the situation to become critical."

It remains possible that the Brazilian Senate could attempt to block a full accord ou the grounds that, like its US equivalent, it must first give approval to international agreements. But juridically, the parliamentarians' case looks weak.

The critical issue for an IMF deal is the country's readiness to apply the medicine of public sector austerity

Furthermore, many politicians would prefer the already unpopular Jose Sarney government to do a deal and suffer the opprobrium.

A much more critical issue, however, will rest on whether the country will be able to apply the medicine of public sector austerity that the International Monetary Fund will undoubtedly prescribe.

Mr Nobrega has already targeted the deficit, last year officially measured at 5.4 per cent of gross domestic product, as the main culprit for inflation, now running at some 18 per cent a month. But winning political support for tackling it is proving as hard as ever.

If Brazil can at least begin setting its own house in order prior to signing an IMF stand-by agreement, the return to orthodoxy might prove more palatable.

But so far, Mr Nobrega has encountered fierce resistance from his fellow ministers to cuts in their programmes and from civil servants over a threatened freeze in their salaries.

The Finance Minister has, to date, succeeded only in putting ceilings on government and state sector spending and halting all new recruitment. He must now take the axe to subsidies and raise state industry tariffs.

On his side are a new unified budget which makes Congress accountable for spending decisions and the fact that the length of the president's term of office – an issue that has all but halted painful decision-making by Mr Sarney – will soon be decided in the Constitutional Assembly.

But Mr Nobrega must still reckon with a majority political party that opposes any deal with the IMF and whose economic policy forbids recession without offering any prescriptiou as to how to tackle it. Eight months of falling industrial output testifies that the recessiou has now begun. Furthermore, finance ministry figures show that federal revenues are now barely able to pay the salary bill.

As Mr Antonio Delfim Netto, a former Planning Minister, said last week: "There comes a point when a government becomes more unpopular not acting than it would be taking difficult measures."

The sceptics argue, however, that even when that point is reached, the Brazilian Government will still find itself politically unable to cut as hard and as deep as its foreign creditors would like.

Countries progress at varying pace

Contrasting pictures are presented by Venezuela, Argentina and Peru, underlining the fragile nature of progress in the debt crisis. One has returned to the capital markets. One faces a new liquidity crisis. The other has cut itself off from most of its creditors. FT writers report:

VENEZUELA has made considerable progress since it declared a moratorium on foreign debt principal repayments in 1983, writes Joseph Mann in Caracas.

It is repaying some principal – the only Latin American country to do so out of reserves – and recently returned to international capital markets with a $100m Eurobond issue. Last year, the Government obtained almost $1bn in foreign credits linked to projects in heavy industry and transportation and trade lines to Venezuelan importers have moved from zero in 1984 to approximately $2.5bu to $3bn today.

However, the debt situation is bound to undergo changes next year with a new president due to be elected in December to begin a five-year term in February. Both leading candidates have said they will revive the debt structuring agreement.

In the light of falling oil prices and declining international reserves, some Venezuelan politicians are more concerned than ever about debt-service payments that consume 50 per cent or more of export revenues.

ARGENTINA faces another tough year in uegotiations with creditors, writes Tim Cooue in Buenos Aires. A senior Central Bank official said some $2bn in fresh money would be required in 1988, over and above funds earmarked for Argentina by the International Monetary Fund, World Bank and commercial banks.

The $5.85bn in new loans agreed last year has proved insufficient due to the sharp fall in the balance of payments surplus to less than $1bn from a projected $2.5bn. Although there is expected to be an upturn in the trade balance this year, official projections of a surplus in excess of $2bn are considered optimistic.

The official said: "If we are forced to a moratorium it would not be an act of political will but a result of the force of circumstances. We shall undoubtedly see a repetition of the eleventh bour arrangements that we have seen over the past year."

PERU'S policy on foreign debt is to pay out only 10 per cent of export income on medium and long-term obligations, writes Barbara Durr in Lima.

Peru bas differentiated among creditors, preferring to pay those that coutinue to extend credit, such as suppliers. The only remaining multilateral institution that continues to disburse loans and get paid is the Inter-American Development Bank.

Peru has not paid even token amounts to its commercial bank creditors for nearly two years and arrears are estimated at $2.9bn. In contrast, short-term trade credit lines have been diligently paid.

Peruvian authorities argue that repayment must be according to the country's capacity to pay. They have refused to consider an IMF adjustment plan because they contend it would sacrifice the country's economic growth and place too great a burden on the poor.

Participants find magic formula elusive

BY ALEXANDER NICOLL

CAN THE debt crisis be solved? Since it began, it has prompted mucb well-meaning effort to devise a comprehensive solution. But key participants have not given serious consideration to any of the many grand plans produced. Instead, they continue to look at innovative ways to nibble away at debt burdens.

The most radical solutions would clearly cause the most pain. Debtor countries could, after all, simply repudiate their debts. None has explicitly done so, nor has any collective move towards debtors' militancy gathered sway. On the other side, banks could refuse to reschedule debts or advance new loans and could use the courts to grab whatever assets of the debtors they could find.

Both sides have clearly felt that such moves were not in their long-term best interests.

The next level of comprehensive action is of the type which most commonly sets the format for grand plans. Governments of industrialised countries would step in, either in their own right or through a multilateral body. A mechanism would be found for sharing the burden: banks would take losses and debtors would win reduced commitments.

The most obvious obstacle to any such scheme is that it would involve using substantial amounts of taxpayers' money both to help out foreign countries and to help banks. The conservative atmosphere and fiscal discipline in most industrialised countries essentially rule out such a solution.

The most recent example of a grand plan has come from Mr James Robinson, chairman of American Express, the US financial services group. It is useful illustration because it draws together ideas from a number of other such "solutions".

Mr Robinson advocates a multilateral body which would buy all the affected debt at below face value and in exchange issue perpetual floating rate notes. As their principal creditor, it would then negotiate ecouomic programmes and debt relief with debtor countries. The old debt which it held would be junior to new loans raised by the countries, thus encouraging new flows of finance.

The scheme would clearly create large and unpredictable costs for industrialised governments. Mr James Baker, the US Treasury Secretary, responded: "We don't think that it has much merit. It puts the solution squarely on the backs of the taxpayers in the creditor countries."

Mr Robinson's plan appears to have other drawbacks. Though it is claimed to give debtor countries incentives towards enacting economic reform, these are difficult to envisage. A debtor government which already finds it politically difficult to deal with the IMF and other creditors individually is likely to find it even more uncomfortable to be beholden to one official super-creditor which has assumed enormous power. Simple repudiation would become a much more appealing option.

Moreover, the scheme presents the paradox that the better a country performs economically – thus presumably becoming more creditworthy – the greater the debt relief decreed by the super-body and therefore the greater the taxpayers' costs.

Mr Baker showed similar concerns when he said the Robinson plan could encourage countries to repudiate their debt in order to drive bank loans to a greater discount on the secondary market. His repeated statement that there are no magic formulas to solve the debt crisis finds agreement among virtually everybody with practical experience of it.

Barring an intensification of political opposition to the traditional approach within debtor countries, any solutions are therefore likely to chip away at the problem rather than solve it.

While the basic business of rescheduling debts goes on, a number of innovative methods to reduce debt burdens are being used. They include straightforward repurchases of loans and couversion of loans into other assets such as equity or bonds. Mexico's bonds-for-loans offer is the most recent example.

The basic premise is that banks agree to forgive part of their loans, taking another asset in exchange which has a lower face value but is more attractive. Banks that do so are acknowledging their belief that a loan will not be worth 100 cents on the dollar in the foreseeable future. Debtors benefit to the extent that banks are prepared to admit this, thus "capturing the discount" which banks put on the loans.

By simply selling a loan, a bank is preferring to hold cash rather than Third World exposure. The scope for doing this is, however, limited by the thinness of the secondary market: there are few outright buyers.

There would be more if Third World countries used their foreign exchange reserves to buy back debt – an idea advocated by a growing number of bankers including National Westminster Bank's Mr David Lomax.

This is difficult ou two grounds: the political problems of using prized reserves simply to retire debt in the face of demands not to honour the debt at all; and legal restrictions in loan clauses.

It could be argued, however, that Mexico would have achieved the same result if it had simply bought back debt rather than go through its complex bond swap. The effect of its offer was that it cancelled a net $1.1bn of debt by spending $532m of reserves to buy zero-coupon US government bonds to be used as the collateral for its bonds. This works out to 48 cents on the dollar, which is exactly the secondary market price of Mexican debt.

Debt/equity swaps are the most common method. Chile has retired more than $2bn of debt through them, Mexico over $1bn and the Philippines a smaller amount. A $330m swap is being contemplated to help finance a Venezuelan aluminium smelter. The hopes held out for debt/equity swaps have not, however, been fully realised.

The Philippines introduced a swap schems to boost foreign investment and the economy but has limited it and reduced the attractiveness of swaps because it is concerned abont boosting domestic money supply as well as downward pressure on the peso. Mexico suspended its scheme late last year because of worries about inflation and subsidising foreign investment. Debt conversion funds, in which bank loans are pooled with the proceeds then invested in equity, have proved extraordinarily tricky to set up.

Debt/equity couversion is likely, however, to continue to play a small but significant role in reducing debt burdens. So will loan/bond conversions of the type attempted so far by Argentina and Mexico.

Attempts to convert large amounts of loans compulsorily, as proposed by Brazil last year, will fail, howsver. The key remains voluntary participation by banks in debt rednction. Unless debt strategy is seen to fail much more markedly, it will remain so.

Baker: a recent crisis brainwave found him sceptical

Kinnock savours his chance to spoil the Tory spread

By Michael Cassell

TORY FEARS that the difference of opinion over exchange rate policy between Mrs Margaret Thatcher, the Prime Minister, and Mr Nigel Lawson, her Chancellor of the Exchequer, will spoil the *icing on today's* Budget cake are likely to be borne out when Mr Mr Neil Kinnock, the Labour leader, rises in the House of Commons to reply to the budget statement.

This response is one of the most demanding tasks imposed on an opposition leader, given the total lack of notice of the statement's contents and its potential complexity. By the time the budget debate proper starts tomorrow, Mr John Smith, the Shadow Chancellor, will at least have had 24 hours to gather his thoughts and prepare an attack.

Mr Kinnock will doubtless have little difficulty in attacking the underlying strategy of Mr Lawson's fifth Budget, but on this occasion he will also have the rumbling row over exchange rate strategy on which to alight.

Although he will not choose to say so, the electorate's perception of a buoyant economy in firm hands has played a paramount role in the Government's continuing popularity, with most people believing not only that they are better off but that their personal circumstances are set to improve further.

Whatever assurances Mr Lawson gives on monetary policy, and he apparently plans to dwell at length on the subject, the events of the last few days will be gladly grasped to show that a central element in Tory economic strategy looksdecidedly shaky.

Mr Kinnock has already said that the high sterling formula *emanating from Mrs Thatcher's* office must not win if British manufacturing industry is to stand a chance of remaining competitive.

He can be expected to emphasise that, given a worsening trade *deficit (though not as severe as* official statistics first indicated), what he likes to call the Prime Minister's "primitive monetarism" is misplaced and will add to economic imbalance.

But although the outcome of what appears to be an unresolved exchange rate tussle could yet yield longer-term economic and political repercussions, the issue will today form only one part of Labour's onslaught.

Labour has been careful not to condemn out-of-hand the possibility of reduced rates of income tax - the party's own policy review is considering a much lower starting rate - but its approval for any cuts today would be strictly conditional upon the provision of further, substantial health resources.

Labour's problem centres on the electorate's perception of its own ability to handle the economy any more effectively. The Chancellor is likely to be considerably more exercised, however, by the prospect of an argument with his next-door-neighbour than from Mr Kinnock.

P&O sacks 2,300 as talks on working practices fail

BY JIMMY BURNS, LABOUR STAFF

P&O European Ferries, Britain's major ferry operator, is to issue 2,300 Dover-based seamen with dismissal notices today after the break-down of talks aimed at setting a five-week long strike.

Mr Peter Ford, the company's chairman said last night: "The industry faces a period of change. This is the beginning of it."

A majority of the strikers, all members of the National Union of Seamen, are expected to be offered new contracts of employment based on radical changes in working practices.

But Mr Ford said last night that his company, which is believed to have lost over £2m in lost revenue as a result of the strike, was considering pursuing several options if it fails to recruit among its existing workforce of seamen.

These options will range from the employment of non-unionised foreign workers – unprecedented in the UK ferry sector, although a growing practice in the deep-sea – to the sale of some of the ships owned by the company. The majority of these ships have been docked in Dutch ports since the beginning of the strike.

Union officials in Dover are to hold an emergency meeting today to discuss on their next course of action.

But NUS officials last night warned that tha steps now being considered by P&O could lead to deepening disruption of cross-Channel operations in the run up the Easter holidays.

Mr Mike Gibson, chief spokesman for the NUS said: "We're going to dig in for a long time. *The* men are *absolutely* rock solid in Dover. They are not going to go back on P&O's terms."

The union leadership is believed to be strongly against calling a national strike over the *Dover issue as it did over the* sacking of some of its members employed by the Isle of Man Steam Packet Shipping Company. Such a move could be construed as "secondary action" under the terms of the government's employment legislation which lead to heavy fines against the union last month.

But the union, which has 10 per cent of its membership employed by P&O, is prepared to resist the company locally and claims to have secured the support of French and Belgium unions.

P&O wants to change shift patterns on its services from Dover to Boulogne and Zeebrugge and to reduce current crews per ship on these routes from 3.6 to 2.5.

It argues that such changes, which include cuts in bonuses and annual leave, must be introduced over the next year if the company is to improve efficiency and boost profitability in the *run-up to the planned opening of* the Channel Tunnel in 1993.

Committee votes against wider disclosure of MPs' interests

BY PETER RIDDELL, POLITICAL EDITOR

PROPOSALS that MPs should make more detailed public declarations of their financial interests have been rejected by a House of Commons committee.

However, the select committee on members' interests has agreed on a fuller statement of all directorships held by MPs. The committee is also to undertake an inquiry into the substantial growth in the lobbying of parliament by outside organisations.

A number of MPs have expressed concern that the existing register is inadequate because, while it lists directorships, outside employment and shareholdings of over 1 per cent, it gives no financial details of remuneration or the size of holdings.

Other MPs argue that further disclosure would represent an invasion of privacy. By contrast, members of the US Congress have to make such declarations in broad financial bands.

A proposal from Labour MP Mr Dale Campbell-Savours to extend the declaration of interests was defeated only on the casting vote of chairman Sir Geoffrey Johnson Smith Conservative).

Mr Campbell-Savours suggested that the assets and interests of spouses should be declared, possibly via a family registration; that shareholdings in excess of £100,000 in publicly quoted companies should be registered; and that capital gains on a particular share exceeding £25,000 in any 12 month period should be recorded.

A more radical plan was put forward by Mr Graham Allen (Labour). He urged a list of the remuneration from all directorships, details of clients of MPs involved in public relations firms and other consultancies, a list of all shareholdings and dealings, a declaration of shares put in trust by ministers and making the register legally binding.

Mr Allen's plan was rejected by four votes to one. He said yesterday that "the overpowering instinct for secrecy has meant that an opportunity to consider the wider questions (of its content) has been lost."

He argued that the current register was "more suitable for part-time MPs who do not feel that the public has a right to know about their representatives rather than a register for MPs whose commercial sponsors may soon have television time in Parliament."

Mr Allen, who was first elected to the House of Commons last June, is regarded by many of his colleagues as an over-persistent maverick.

But there is concern, particularly on the Labour side, about the increased number of consultancies and directorships held by MPs and fears of potential conflicts of interest, especially for those members with public relations consultancies.

Nissan plans UK design centre to develop European operations

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

NISSAN MOTOR, Japan's second-largest automotive group, is to establish a European design centre in the UK.

Nissan, which is already investing around £600m in a car plant at Sunderland in north-east England, said the move was a "key element" in its plan to build up a fully integrated European operation.

The design centre would be responsible for original body and trim design and development of Nissan vehicles produced in Europe, it said.

No decision had yet been made on the location of the design centre, although Sunderland was under consideration along with other UK sites.

The design facility, which will be operational by the end of the year, will initially employ 50 people with the workforce rising to around 150 by the early 1990s.

It will serve both Nissan's UK-based car operations and Motor Iberica, the Japanese group's 71 per cent owned. Spanish subsidiary which currently produces the Nissan Patrol, a four-wheel drive sports utility vehicle which competes with the Land Rover and the Range Rover, and the Nissan Vanette light van.

Nissan's UK car plant at Sunderland is the largest Japanese investment ever made in Europe. Output of the first model, the Nissan Bluebird, which began in 1986, is due to rise to around 50,000 cars this year and is planned to increase to some 100,000 in 1991.

Production of a second model range, a supermini in the class of the existing imported Nissan Micra, will begin in 1992, and Nissan's European design centre is expected to play an important role in the design and development of the body and trim.

Nissan said that the design centre would "work closely with British and European component suppliers and design agencies to develop models to meet the specific demands of the European consumer."

Nissan already has a body shop, paint shop and final assembly facility in operation at Sunderland. The Sunderland-produced cars reached an European Community content of 60 per cent in January. They will be classified as UK-produced cars rather than Japanese imports in the UK new car registrations with effect from May 1.

Call for action to protect London's travelling public

BY IVOR OWEN

FURTHER calls for courts to impose exemplary sentences on those found guilty of assaulting passengers and staff on London's *buses and underground* trains were made by members of Parliament in the Commons yesterday.

Conservative MP Mr Harry Greenway led protests from both sides of the House about the perils of travelling on public transport *in* the *London area and the* growing number of people afraid to do so, particularly late at night. "Something must be done," be said.

Mr David Mitchell, the Minister of State for Transport, reported a fall in the *number of assaults on* bus staff but acknowledged that it was still "unacceptably high." The fitting of horns and flashing lights, two-way radios and video cameras were among the measures being taken to reduce the number of assaults.

Another Conservative MP, Mr Sydney Chapman, said that the chairman of London Regional Transport had himself admitted that the Northern line on the underground was "an abomination."

It was also suggested that the Metropolitan Police take over responsibility for the underground system.

Other MPs said threatening and drunken behaviour, mugging and violence, and graffiti and litter were rife and called for the transport police to follow the example of other forces by introducing "special constables."

UK NEWS

Prices at factory gate show sharp rise in February

BY RALPH ATKINS

A SHARP increase in factory-gate prices of manufactured goods in February pushed the annual rate to its highest level for a year, according to official figures published yesterday.

The Department of Trade and Industry said its index of output prices for manufactured products rose a provisional 4.0 per cent in the year to February. The rise gives warning of a possible increase in retail inflation in the next few months if output prices feed through into shops.

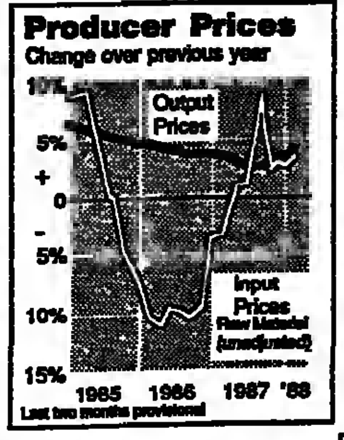
Last month's figure was higher than in any month since February last year and compares with 3.8 per cent in the year to January. Prices rose 0.5 per cent in February compared with 0.6 per cent in January.

The DTI's statistics also show a trend rise in material and fuel costs of manufacturing industry. Although its index of input prices shows a fall of 0.9 per cent in February, the seasonally adjusted index rose 1.1 per cent.

Upward pressure came mainly from higher costs for imported materials and petroleum products. In the 12 months to February input prices increased by 3.9 per cent compared with 3.2 per cent in the year to January.

However, input price rises are likely to moderate in the next few months as the strong pound reduces the cost of imports and oil prices fall.

Producer Prices
Change over previous year



Last two months provisional

The rise in factory-gate prices reflects rising unit labour costs for industry as well as increasing input costs.

Mr Ian Harwood, chief economist at Warburg Securities, said: "I suspect what has happened is that some of the January price rises have fed through into February. I don't think it is an increase in general inflation."

In February the DTI's index of manufacturing output prices stood at a provisional 155.3 (1980=100) compared with 154.6 in January. The index of input prices (not seasonally adjusted) was 134.7 (1980=100) compared with 135.9 while the seasonally adjusted index stood at 132.5 (1980=100) against 131.1.

Strong pace of growth in sales fuels fears of overheating

BY RALPH ATKINS AND MAGGIE URRY

THE STRONG pace of growth in Britain's high street sales continued into February as volumes reaching a record level.

Provisional figures published yesterday by the Department of Trade and Industry showed retail sales rose 0.1 per cent last month. Although that compares with a 1 per cent rise in January, the DTI said there were no signs of a slowdown in the underlying growth rate.

In the three months to February, the level of sales was more than 1 per cent higher than in the previous three months and nearly 7 per cent above the same period a year before.

The pace of growth underlines possible undesirable side effects if Mr Nigel Lawson, the Chancellor, boosts consumers' spending power through large tax cuts in today's Budget. Some independent economists fear overheating in the economy and that excessive growth in retail sales would put further upward pressure on inflation and increase import volumes.

The DTI said February's growth was spread across most sectors within retailing. It said October's stockmarket crash appears to have had little impact so far, but that it is too early to gauge the full effects.

The figures match the results of the Confederation of British Industry/Financial Times survey of distributive trades, published on Thursday. This showed steady growth into February and optimism among retailers about buoyant sales in March.

The seasonally adjusted index of retail sales volume in February was 135 (1980=100). The value of sales was £7.54bn, a 9 per cent increase on the same month last year.

Retailers saw the sales figures as evidence of the continued buoyancy of consumer spending, particularly as February is usually one of the slackest months for shops. A rise above January's level, when the weather was unusually mild, was seen as good.

Commentators noted that the pre-Christmas doubts about the continuation of the retail boom seem to have evaporated.

According to the Retail Consortium, the trade body representing retailers, there was no evidence of consumers buying in the expectation of a widening of the range of goods on which value added tax could be imposed in today's Budget. There was, however, the usual stocking up of tobacco and alcohol in advance of likely rises in duty.

Ford dispute cut vehicle output sharply

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

UK CAR and commercial vehicle production fell sharply in February from the high January level, chiefly under the impact of the two-week national strike at Ford, which closed the company's 22 British plants.

UK car production in February fell to 85,000 units from 107,000 in January and 90,000 in February last year, according to provisional seasonally-adjusted figures from the Department of Trade and Industry.

On a non-seasonally-adjusted basis, car output totalled 87,979 in February, a fall of 7.8 per cent from 95,465 a year ago. Output in the six months to the end of February was 4 per cent lower than in the previous six-month period, but was 6 per cent higher than in the same period a year earlier.

Car production for export in the last six months was 11 per cent higher than the same period a year ago, while production for the domestic market was up 5 per cent.

Industrial action in recent weeks has disrupted production at Renault Truck Industries and Land Rover, where the strike entered its fourth week yesterday, as well as at Ford.

Commercial vehicle production was also substantially affected in February. Seasonally-adjusted output dropped to 15,100 from 22,600 in January and 19,700 in February last year.

Despite the strikes, commercial vehicle output in the last six months was 8 per cent higher than in the previous six months and 6 per cent higher than in the corresponding period a year earlier.

Two plead not guilty over JMB charges

By Raymond Hughes, Law Courts Correspondent

TWO MEN yesterday pleaded not guilty to corruption and other charges when they appeared at the Old Bailey in the first of a series of trials relating to Johnson Matthey Bankers.

JMB had to be rescued by the Bank of England in October 1984 after collapsing with suspected bad debts of £250m.

Mr Amjad Imam was charged with corruptly giving two payments, of £1,000 and £5,000, to a JMB employee as an inducement or reward for providing false figures in respect of bank accounts of companies in the Altramar shipping group controlled by Mr Imam and his brother.

The JMB employee was charged with corruptly accepting the payments and with perjury and intent to pervert the course of justice.

The two men were also jointly charged with conspiring to pervert the course of justice.

Mr Anthony Arlidge QC, prosecuting, told the jury that in 1983 and early 1984, when the alleged offences took place, Altramar companies with accounts at JMB had been heavily in debt to JMB on overdrafts.

The hearing continues today.

Nomura names new corporate finance chief

By Stephen Fidler

NOMURA INTERNATIONAL, the Japanese securities firm, said yesterday it had appointed Mr John Howland-Jackson, former head of London operations for Chemical Bank of the US, to lead its corporate finance operation in London.

Mr Howland-Jackson, 40, will also join the Nomura International board as a managing director.

Nomura, which employs 500 people in London, said the appointment was in line with a policy of increasing the number of local staff in senior management positions and would help to strengthen its corporate finance operation.

Mr Howland-Jackson was a director of Kleinwort Benson when he was hired by Chemical Bank as part of a drive to expand its international investment banking activities.

However, he resigned in January after little more than a year in the position following the announcement of 2,100 job cuts worldwide. The cuts were interpreted as renewing the US bank's stress on conventional banking.

Lloyds will issue Visa payment card similar to Connect

BY DAVID BARCHARD

LLOYDS BANK is to issue a Visa payment card later this year, similar to tha Connect card launched by Barclays last June.

The new card will be used for shopping through Visa retail outlets and for cash withdrawals from Lloyds cashpoint machines, as well as a £50 cheque guarantee card. It will closely resemble the Connect card but will also offer a personal overdraft facility and protection under the Consumer Credit Act.

Lloyds is the first British bank to belong to both the Visa and Access/Mastercard networks. Its decision to join Visa is said to be motivated by a desire to maximise its market opportunities.

The new card will not compete directly with Lloyds' existing Access card since technically the new card is not a credit card like Access, but a "current account payment card." It also differs from debit cards in that it has an automatic overdraft facility and full consumer credit protection.

Lloyds is hoping its new product will have an easier launch than Connect and the Midland Bank's Vector.

Connect got off a bad start after running into trouble with retailers who insisted that they should not be charged on a percentage basis (as with Barclaycard) for accepting it but on a transaction basis. However nearly 1m Connect cards have now been issued.

Midland Bank halted issuing its Vector card, part of the rival Mastercard network, after the row over Connect because of fears that it would be rejected by retailers.

Lloyds said yesterday that Barclays would be handling negotiations with the retailers for the terms on which they would use the new card. This is usual for new entrants to the Visa network in the UK.

Retailer groups were generally enthusiastic about the new card yesterday, seeing it as a chance to win better terms for a general agreement covering debit cards than those which they secured from Barclays last year.

These have never been made public but it is widely believed Barclays agreed to a maximum of 50p per transaction. With Lloyds beside it, Barclays' bargaining power with the retailers has been greatly strengthened and the two banks must be hoping that shoppers will gradually begin to abandon cash and cheques in favour of the new cards.

Monopolies probe on Tube postponed

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

A MONOPOLIES and Mergers Commission investigation into the London Underground system has been postponed until after the conclusion of a public inquiry into the King's Cross disaster, the Trade and Industry Department said yesterday.

Mr Kenneth Clarke, Chancellor of the Duchy of Lancaster, said the delay would allow London Underground management to concentrate on the investigation into the disaster.

Mr Desmond Fennell, QC, is expected to report in the summer on the causes of the fire, which killed 31 people last November.

Mr Clarke said the programme of commission investigations of nationalised industries would be adjusted to bring forward an investigation into the operation of British Rail's services.

The commission was critical in a recent report of BR's Network SouthEast sector, which operates most London commuter services.

Mr Clarke also announced the terms of reference for an inquiry into whether British Coal could improve its performance in relation to the efficiency and costs of capital investment.

Government to help fund adult literacy centres

FINANCIAL TIMES REPORTER

THE Government is to provide £500,000 to set up "open learning" centres in the inner cities to help Britain's 6m illiterate adults.

Mr Kenneth Baker, Minister of Education, who announced the scheme yesterday, said that there would initially be eight of the centres using computers and videos to help those people who had left school unable to read and write.

Government cash would be used to help set up the new centres but industry would help provide the day-to-day running costs, he said.

Mr Baker also called on employers to set up their own training courses for staff who had difficulties with literacy or numeracy.

People with these problems were often more willing to learn at work, he said.

Plastic bottles 'create wastage problem'

BY MAGGIE URRY

PLASTIC BOTTLES worth £200m have been thrown away because there is no system for recycling them, according to a study.

In addition to the waste of materials, the high volume-to-weight ratio of plastic bottles makes burying them expensive.

More than 4bn bottles have been made from polyethylene terephthalate (PET) in the last seven years. Of these, 97 per cent have been buried on landfill refuse sites, says Mr Roderick Fox, managing director of Plas/Tech, a company which specialises in schemes for recycling plastic.

The problem is likely to worsen because the use of PET bottles is a fast growing sector of the packaging industry. A trial system of returning PET bottles voluntarily, similar to glass bottle banks, proved a failure.

Mr Fox recommends a deposit system, adding 5p or 10p to the price of a bottle of the fizzy, soft drinks usually contained in PET bottles. Consumers would return the bottles to a site, preferably in a car park adjacent to a supermarket, and receive tokens to use in the shop.

Mr Fox estimates that within six months a return rate of 70 per cent could be achieved. The bottles would then be recycled and have a value of between £450 and £5,000 a tonne, depending on the end-use.

However, there is currently little capacity to recycle used PET, although manufacturers do re-use their own scrap. The first PET recycling line in Europe was started in Gloucester in 1986.

More health service protests likely

BY JOHN GAPPER AND JIMMY BURNS

FURTHER demonstrations by nurses and health workers in support of increased funding for the National Health Service are expected in London today following yesterday's day of action supported by a variety of workers.

The protests included unofficial stoppages by bus crews in London and Sheffield and by ship and aircraft workers in Belfast and dock-workers in Bristol and London to demand increased funding for the NHS.

They were led by the Confederation of Health Service Employees, which said that action had been "fairly limited," affecting about 17 hospitals in London and others in Yorkshire, the Midlands, Wales and Northern Ireland.

Several hundred nurses belonging to Cohse and the National Union of Public Employees were said to have gone on strike. Mr Chris Humphreys, Nupe London regional organiser, said he expected further walk-outs today to coincide with the Budget.

Members of the Royal College of Nursing, which has a policy of not backing industrial action, continued to work and only limited disruption was reported at hospitals. Some non-emergency operations were cancelled.

Although train drivers at King's Cross did not stop work following legal action by British Rail, many London bus services were affected by widespread walkouts by bus crews.

About 2,000 workers from the Harland and Wolff shipyard and the Shorts Brothers aircraft plant in Belfast joined a march through the city centre.

All 1,200 dock-workers failed to report for work at Tilbury docks and about 500 dockers took part in a *half-day* stoppage in Bristol. Employers said little disruption had been caused as they had been forewarned.

The London Port Authority said it was unlikely to take action against its workers because, unlike the proposed strike at King's Cross, it had been spontaneous action and was "a matter of individual conscience."

Mr Colm O'Kane, Cohse deputy general secretary, said the protests had been supported by the public and were likely to continue into the summer if the Government did not respond in the budget today.

Mr O'Kane said the "real issue" behind the action was the state of the NHS. Health workers belonging to Cohse handed a box in at Downing Street containing a demand for an extra £2bn to be spent on the NHS.

In Cardiff, a petition in support of added NHS funding was handed in at the Welsh Office with 60,000 signatures.

Racial bias in jobs 'not yet tackled'

By Jimmy Burns, Labour Staff

BLACK workers' employment position remains as bad and in some cases worse than when the first Race Relations Act was passed 20 years ago, says a report published yesterday.

Runnymede Trust, the education charity, argues in its report that positive action policies aimed at ending racial discrimination in jobs have suffered from economic, conceptual and political limitations.

"Effective partnership across tiers end government and between public and private sectors does exist, but on a tiny scale," the report says.

It says the first 18 months of the Task Force areas, intended as models for such partnerships, "produced only about 1,000 new jobs and the government was afraid to count how many of these had gone to blacks."

The report says "positive action" has proved difficult to distinguish from "positive discrimination" with its connotations of preferential treatment.

The result has been lack of commitment by employers on issues such as training, and caution by politicians.

Steps to Racial Equality: Positive Action in a Negative Climate, by Elizabeth Burney; Runnymede Trust, 178 North Gower Street, London NW1 2NB; £1.95p.

Land Rover hopeful as handful cross picket lines at plant

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

LAND ROVER yesterday claimed that the three-week-old strike over pay by the company's production workers could be starting to crumble after about 50 strikers crossed union picket lines and returned to work.

Since the number represents less than 1 per cent of the 6,000 manual workers involved in the dispute, local union leaders dismissed it as irrelevant.

Between 100 and 200 supporters of the strike gathered outside Land Rover's main gates in Birmingham yesterday morning and jeered at those passing through. A handful of official pickets also tried to dissuade people from entering the plant but no physical hindrance was offered.

Those returning to work yesterday went in after eome attempts by some strikers last week to organise a concerted back-to-work movement. They joined a small handful who returned last week and are thought to be doing light duties.

Mr Sam Robinson, chairman of the unions' joint negotiating committee, said after e committee meeting following the limited return to work that there had been no change in the circumstances of the dispute.

Land Rover said: "It is now clear that the union representatives have no intention of consulting their members. It eppears that the only way this strike will end is by other employees coming back to work to join those already here."

Meanwhile the effects of the strike bit deeper into the Midlands motor industry as Carbodies, the taxi manufacturer, warned that it would have to lay off about 100 workers by the end of the week because it had run out of engines. Thompson Industries, e Bilston company which supplies chassis to Land Rover, has already laid off 150 workers and Freight Rover, which supplies body panels, has laid off 25.

NUT may abolish annual conference

BY DAVID THOMAS

THE National Union of Teachers may abolish its annual policy-making conference, replacing it with emaller gatherings more aimed at issues of professional concern to teachers.

The change, if carried through, would be a further step in the union's move away from a militant image which the NUT's leaders blame for e decline in membership in recent years.

It is likely to be opposed by the left in the union who will seen it as an attempt to downgrade the role of activists within the NUT.

The union's national executive agreed et its last meeting to establish a working party to report on the size, frequency and structure of the NUT conference. The working party will complete its report in time for the 1989 conference.

The NUT leaders are concerned at the cost of the annual conference, which is one of the largest in the trade union movement.

They also believe that the conference's traditional focus on pay and conditions feeds the image of teachers as a group not sufficiently concerned about professional issues like educational standards.

One proposal with considerable support in the union is to hold the present type of conference once every two years.

It would alternate with a new type of gathering, using small group discussion techniques such as workshops, which would spend most of its time on wider educational matters.

Bank staff win town allowance

By John Gapper, Labour Staff

LLOYDS and National Westminster banks are to include Cambridge among the areas attracting e £750 south-east weighting allowance following calls from banking unions to extend the boundaries of the "Roseland" region.

NatWest, the first bank to introduce such an allowance last summer, has also agreed to expand the region to a minimum of 50 miles out from the centre of London. This is likely to add to pressure on other banks to follow suit.

The deals, reached separately, mean that Barclays is now the only major clearer not to include Cambridge in the Roseland – rest of south-east – region. Midland already includes the town in its definition.

The Banking, Insurance and Finance Union, which argued as soon as the south-east allowance was introduced that staff in Northampton, Cambridge and Poole or Bournemouth should be included, yesterday welcomed the development.

Bifu said thet it would affect 600 members working in Cambridge, and followed pressure by the union on NatWest for an extension of the region. This issue had previously gone to conciliation without agreement being reached.

The extension was agreed at Lloyds after discussion in a working party set up as part of the pay deal that ended last year'e industrial action in the bank.

The Roseland region has until now usually been based on the Government's definition of the south-east region, taking in Oxfordshire, Berkshire, Hampshire, Bedfordshire, Hertfordshire and Essex.

Women claim job evaluation was unfair

FINANCIAL TIMES REPORTER

ELEVEN women seeking equal pay for work of equal value yesterday launched a test case challenge in the Court of Appeal to the way in which their jobs are compared with those of men doing similar work.

The women, who have clerical and administrative jobs with Ford dealers, H&J Quick of Manchester, claim that the method used in a job evaluation study on behalf of the compeny discriminated against them and breached the Equal Pay Act 1970.

The method was used by the company to defeat a claim by the women that they were entitled to equal pay to male shop floor workers.

The women are appealing against an Employment Appeal Tribunal decision last year which upheld an industrial tribunal ruling *dismissing* the women's claim.

Their counsel, Mr Anthony Lester QC, told the court yesterday that the case was important as it was the first time the Court of Appeal had been asked to rule on the way in which evaluation studies were carried out.

He said that by failing to analyse the women's jobs and those of the shop floor workers under a series of headings in terms of the demands made by the work, the study completely failed to evaluate the jobs.

Instead, the study had looked at the jobs "as a whole" and ranked them according to what "felt fair" to members of the assessment panel, said Mr Lester.

This approach had a tendency to undervalue certain jobs which were mainly done by women and so continued the sex discrimination which the law tried to eradicate. The hearing continues today.

One-day strike halts Welsh opencast mines

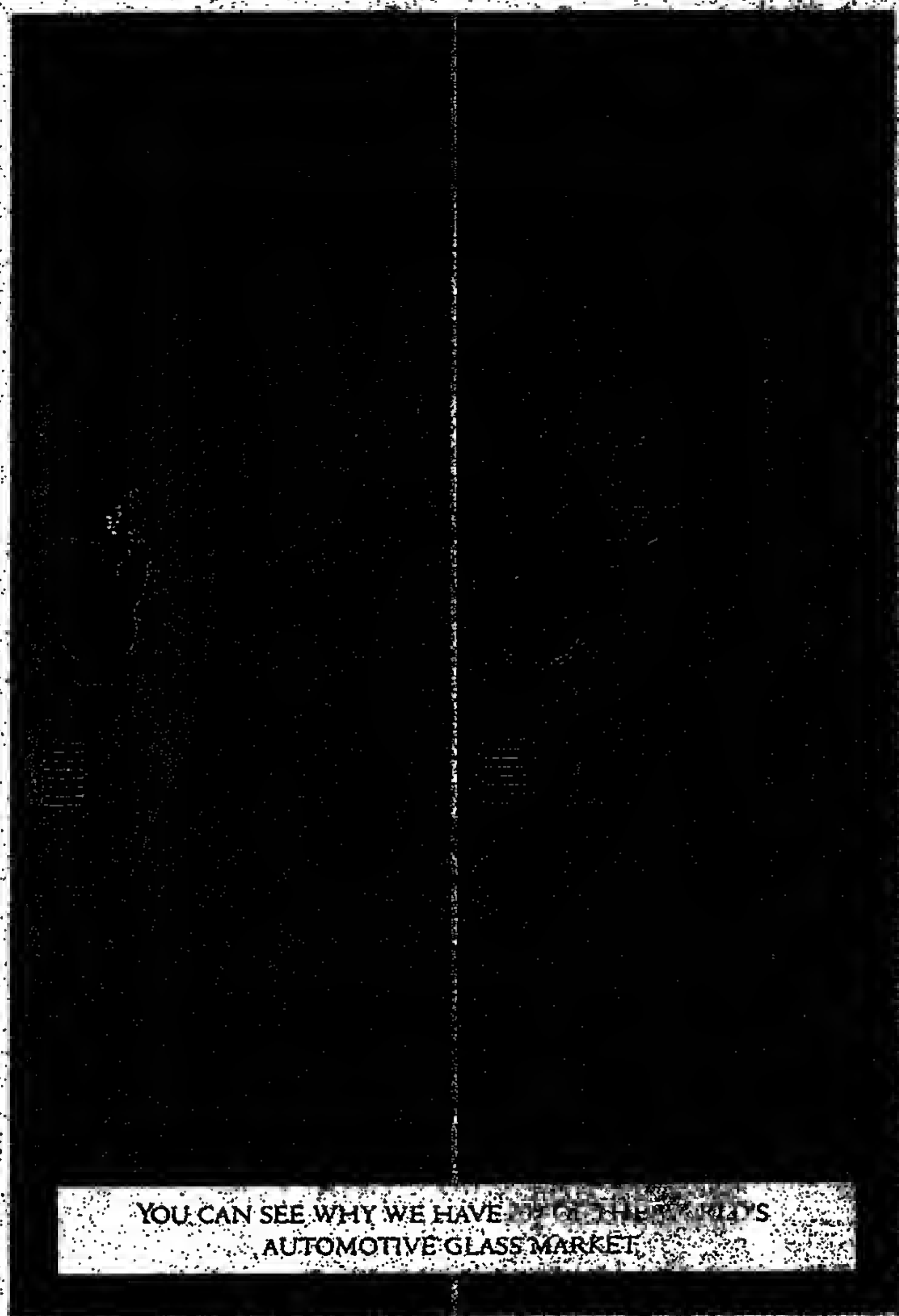
By Our Labour Staff

FIVE opencast coalmines in South Wales stopped production yesterday as about 800 workers held a 24-hour strike in a dispute over job allocations. British Coal expects the strike to cause about 5,000 tonnes of production to be lost.

The miners, members of the TGWU transport union, went on strike to go to a mass meeting on a dispute over jobs at a new site being developed in West Glamorgan. The dispute comes against a background of opencast closures in the area.

Budge Mining, the company developing an extension of the East Pit site in the Amman Valley, insists that all long-term workers will be recruited within an eight-mile radius. But the union claims the company is discriminating against local lay officials of the TGWU.

PILKINGTON'S HEATED FRONT WINDSCREEN. WHAT DOES IT MEAN TO THE MAN IN THE STREET?



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Sales recover in sluggish market for confectionery

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

THE BRITISH confectionery market regained some of its lost momentum last year.

Volume recovered to 741,000 tonnes, almost matching the 1985 peak of 744,000 tonnes. A 3.5 per cent value increase took sales above £3bn for the first time, according to Cadbury's annual trade review.

However, the rise in valne terms was the lowest for several years, following a 10 per cent increase in 1985 and 6.6 per cent in 1986, when raw material costs increased.

Cadbury now claims 30 per cent of the chocolate market, with Mars on 26 per cent and Rowntree on 24 per cent.

Cadbury also stepped up spending on promotion last year, accounting for 31 per cent of the £100m spent on all confectionery advertising. Mars, the biggest spender in 1986, slipped to third place, accounting for 25 per cent, while Rowntree's budget rose slightly.

Cadbury, Mars and Rowntree produce all but seven of the 50 top-selling brands in the country. They also dominate the seasonal markets snch as Christmae, Easter and Mother's Day, although importers and smaller specialists appear to be gaining ground.

Cadbury says in its review that seasonal sales account for more than 9 per cent of the chocolate market by valne, compared with less than 7 per cent a year ago.

Other significant shifts include a fall in the share of the market taken by countlines, the industry's term for chocolate-covered products like the Mars bar, Wispa and KitKat. The review shows the countlines with a 46 per cent share of all chocolate sales, compared with 51 per cent in 1986.

Cadbury euggests this sector may be affected further in the next 10 years because the uumber of consumers aged between 15 and 24, who are the main buyers of countlines, is shrinking.

● Demographic changes, particularly the recent increase in the birth rate, signal improved prospects in the children's colouring market, according to Binney and Smith, manufacturer of Crayola products.

Sales of crayons, paints, pencils and colouring pens will increase 30 per cent over the next four years to £135m, the company says. The value of the biggest sector, fibre and felt-tip pens, is expected to rise 11 per cent this year to £35m.

● *Demand for convenience foods* pushed retail sales of frozen foods above 1m tonnes last year, according to Ross, the Hanson subsidiary. A 5 per cent rise in the value of the trade took the industry's turnover in shops to £1.68bn.

Manufacturers launched 523 new frozen products last year, compared with 466 in 1986. Competition is particularly fierce in the market for lahour-saving ready meals. An audit for Ross shows that of 102 new meal products launched in 1984, only 40 were known still to be in existence last year.

Feasibility of electronic shopping at home studied

BY MAGGIE URRY

A STUDY into the feasibility of electronic shopping at home in the UK is being undertaken by Coopers & Lybrand, the management consultants, Fitch, the design company, and the Oxford Institute of Retail Management at Templeton College, Oxford.

The study, which has also attracted a number of sponsors, will examine the scope for shopping at homs via elsctronic media such as satellite, cable television or telephone lines. It is expected to be completed by the end of the year.

Experiments in so-called "teleshopping" have been limited in the UK but in the US operations such as Home Shopping Network have achieved substantial sales.

Mr Dsvid Miller, managing director of Coopers & Lybrand's UK management consultancy business, said he reckoned teleshopping could eventually take up to 20 per cent of the retail market in the UK. He said it would take four or five years before teleshopping found a large market in the UK.

Any decision by individual companies or groups of businesses to set np a national teleshopping system in the UK would involve the investment of billions of pounds.

The sponsors include Barclays Bank, British Telecom, the Cable Authority, Littlewoods, Metal Box, Tesco and Whitbread.

Scottish economic growth rate 'improving'

By James Buxton, Scottish Correspondent

ECONOMIC GROWTH in Scotland, which has been slower than in other parts of the UK in the past two years, is showing signs of improvement. The Fraser of Allander Institute at the University of Strathclyde says both short and medium prospects are favourable.

The institute bases its view on two Scottish business surveys which reported a majority of companies were optimistic about their short-term outlook, and that companies, especially in the manufacturing sector, were expecting to step up investment.

The surveys, by the Scottish chambers of commerce and by the CBI Scotland, suggested increased optimism in all sectors, including manufacturing, construction and wholesale distribution. In particular, manufacturing companies reported a jump in orders from within Scotland itself.

The Fraser of Allander Institute concludes that growth in the Scottish economy is becoming more broadly based and more closely reflects growth in other parts of the UK.

The institute predicts 2.9 per cent growth for the Scottish economy this year, a slightly higher rate than the 2.2 per cent predicted for the UK as a whole by the London Business School and the 2.8 per cent forecast for the UK by the National Institute of Economic and Social Research.

The institute assumes that Scotland will benefit this year from higher tourist spending during the Glasgow Garden Festival, buoyant personal income growth and from continued recovery in the North Sea oil industry.

For the period up to 1992, for which the institute predicts average annual growth of 2.7 per cent, it expects the Scottish electronics industry to have the highest rate of sectoral expansion, growing by 8.76 per cent per annum over the 1987-1992 period.

Alan Pike on NHS schemes to price different types of treatment and improve efficiency

Putting health service costs on the record

OCCASIONAL lurid tales of old people waking up in mortuaries notwithstanding, hospitals have a pretty good record of telling whether patients are alive or dead.

Such clarity of record is not always mirrored in the rest of the health service. Straight questions about the cost of providing living patients with particular forms of treatment can still often he answered only with estimates, shrugs or mutterings sbout clinical judgment.

One of the barriers to improving efficiency in the Nstional Health Service is the problem of determining precise measurements with which efficiency comparisons can be made. The case for snch measurements will become imperative if one of the ideas for change in the NHS being canvassed – the introduction of internal markets – comes about.

Under a system of internal markets, district health authorities would be encouraged to trade with each other to a far greater extent. This could lead to some authorities deciding it was more economical to contract particular types of operation to neighbouring districts – or private hospitals – rather than continue providing them themselves. But health service managers would be ill-equipped to engage in such cross-boundary negotistions without clear ideas of treatment costs.

In volume terms there is no shortage of information available in the NHS compared with health care systems overseas. But by the late 1970s complaints had become widespread that much of this information did not exist in a form which made it useful to managers and medical staff trying to plan and cost services.

Attempts to improve the quality and value of information have been in progress throughout the 1980s. Ths Steering Group on Health Services Information, chaired by Mrs Edith Korner, was established in 1980 and in the following years produced a series of reports recommending changes in information systems. In 1981 the Department of Health and Social Security began developing performance indicators for health authorities.

Developments as a result of these initiatives are now coming to fruition, leading to the sppearance of data which will enable performance comparisons to be made between health anthorities and hospitals. New information on performance will be available this month, and Mr John Moore, Social Services Secretary, has said the Government will use it to ask health authorities what they are doing to correct variations in the way districts are performing. A summary of the evidence will also be published to "inform public discussion."

John Moore: to question performance variations

At the level of individual hospitals, an important experiment in resource management taking place at six centres around the country may, if successful, become the model for costing every patient who enters an NHS hospital.

"The intention is to try to blend clinical data about a patient with information about the resources which that patient consumes while in hospital," said Mr Chris Spry, district general manager et Newcastle, one of the pilot authorities.

Up to 75 per cent of the expenditure of health authorities goes on salaries. Much of the rest is spent by doctors. In recognition of this, many recent management budgeting exercises have been directed at giving medical staff better information about the costs of their clinical decisions. The latest resource management approach takes this further, with an ettempt to cost everything related to s patient's stay and treatment in hospital.

At Newcastle, diagnosis of the patient's condition is fed into the *hospital computer system* and *all* patients are allocated one of four nursing dependency codes reflecting the seriousness of their condition. All the expenditure which a patient generates while in hospital – blood-tests, X-ray, drugs, operatione – is then costed and recorded. Mr Spry said the experiment at Newcastle had already shown benefits.

Operating theatre time can be better planned end managed. Budgets can be set for specific clinical activities, and medical staff and managers have higher quality information et their disposal when determining priorities. If a hospital wants to concentrate on a particular type of operation to reduce waiting lists, or contract operations elsewhere, it can at last work out exactly what this would cost.

One of the most crucial factors behind the new style of resource management is it gives medical staff s more distinct managerial status, and integrates them into the overall decision-making structure of their hospital.

"So long as confidence exists between medical staff and managers, I am sure thet the experiment holds out great hope," said Mr Spry. "In Newcastle we have built up that mutual trust. But obviously if doctors are going to be persuaded to support the system they have to believe the hospital will be allowed to keep any savings which it generates. Indeed, *some doctors* see *this* as an opportunity to argue, with mnch better evidence than they had in the past, for more resources."

Evaluation of the resource management experiments will begin later this year, although there would be obstacles to an instant move from pilot projects to a national system. A heavy computer investment would be required et a time when health euthorities' funds are extremely tight, and the successful operation of the system relies on e first-class level of precision in the collection and coding of information.

"In the US there are degree courses in medical records coding and the people who do this work are crucial hospital staff," said Mr Spry. "In the NHS clerical staff have traditionally been poorly paid and have not beenregarded in the same key way."

Glaxo plans Tokyo laboratory

BY PETER MARSH

GLAXO, Britain'e biggest drugs company, is planning a new Japanese research and development laboratory to boost its presence in the Far East. Spending on the project could amount to £100m over the next few years.

Sir Paul Girolami, Glaxo'e chairman, is *shortly flying* to Japan to finalise the arrangements. The company hopes the centre, which could employ 300 people by the early 1990s, will be operating by the end of 1989.

The laboratory, on the ontskirts of Tokyo, will take over responsibility for drug trials in Japan from Glaxo's development centre in the *centre of Tokyo*. In addition to acting as a base for the 100 people employed in the centre, it will take on staff for research into new drugs that could be on the market by the mid-1990s.

Glaxo, which yeeterday announced pre-tax profits of £397m for the final six months of 1987 – s 6 per cent increase on the same period in 1986 – is keen to expand in Japan and the Far East. The region, one of the world's fastest-growing markets for pharmaceuticals, accounted for only 6 per cent of the company'e £924m sales in the last half of 1987.

The company is also in the *midst of greatly expanding its* research work and plans to spend £220m on this sctivity in 1988. Spending on research in the second half of last year, the company said yesterday, was up by 51 per cent compared with the same period in 1986.

Most of Glaxo'e research is carried out in Britain and the US. It recently also took over a research and development centre in Switzerland run by Biogen of the US.

A number of other western pharmaceuticals companies – including Britain's Imperial Chemical Industries and Ciba-Geigy of Switzerland – bsve recently announced the establishment of laboratories in Japan.

Glaxo results, Page 26

Drug makers urged to tap herbal medicines market

BY PETER MARSH

DRUGS manufacturere should join forces with suppliers of herbal medications to tap the growing market for health prodncts based on natural substances, according to e report published yesterday.

The report, from McAlpine, Thorpe and Warrier, management consultants, says that herbal medications, largely produced by suppliers in the Third World, are gaining favour in the west as a result of the growing interest in natural remedies for health problems.

Annual sales of snch products in the US and western Europe could grow to \$4.9bn (£2.6bn) by the late 1990s compared with \$2.1bn in 1986.

Established pharmaceuticals makers in the west could form joint ventures with third world companies which make the herbal prodncts, says the report.

Among tbe illnesses which could be dealt with by herbal products are chronic ailments such as heart disease and AIDS.

The Potential for Herbal Medicine in the World Pharmaceutical Industry, McAlpine, Thorpe and Warrier, 50 Penywern Road, London SW5 9SX, £11,000.

NEI allied with Mitsubishi in Hong Kong deal

BY NICK GARNETT

NORTHERN Engineering Industries announced yesterday that its £25m turbine generator contract in Hong Kong, signed at the weekend, was won in a consortium headed by Mitsubishi, the Japanese power generation equipment company.

This is the first time NEI, which employs almost 3,000 people in Newcastle, has secured a contract in alliance with a Japanese generating equipment maker.

It is also thought to be the first time a British power station equipment supplier has won a sizable chunk of business in a Japanese-led consortium.

The overall contract for an extension to the Hongkong Electric Company's Lamma Island power station is worth about £80m.

Mitsubishi Heavy Industries is the lead company and will be the boiler supplier. Mitsubishi Electric will carry out most of the ancillary work. NEI Parsons, NEI's turbine-making arm, will supply the 350MW turbine generator and other NEI companies will make the transformers and control equipment.

The Mitsubishi-NEI consortium may be a result of the pressures Japanese equipment companies are under to form alliances with western equipment producers.

Mitsubishi says one of the principal reasons for linking with NEI was the competitive problem posed by the rise in the yen.

The existing five turbines at Lamma Island were supplied by Mitsubishi, the leading Japanese turbine-maker during the past seven years.

One of the other consortiums bidding for Lamma Island also involved an alliance between a western and a Japanese company: Westinghouse of the US with Marubeni, the Japanese trading company.

It is also thought that Hongkong Electric wanted a British-made turbine on the Lamma site.

NEI has bid once before with Japanese companies on a power-related project, with Chiyoda, an oil and petro-chemical plant specialist, and with Marubeni.

The Lamma Island contract has come as welcome relief to NEI Parsons following the announcement earlier this month that the big Yue Yang contract in China has gone to a consortium led by GEC.

Manchester housing scheme wins £3.3m grant

By Ian Hamilton Fazey, Northern Correspondent

WIMPEY HOMES Holdings has been given a £3.3m urban regeneration grant towards a £10.8m quality housing project in central Manchester, Mr David Trippier, the inner cities minister, said yesterday.

The project is part of the Phoenix Initiative, a partnership of private and public sectors aimed at stimulating inner city development. It will conserve three five-storey Victorian buildings and two four-storey blocks will be built in a similar style to provide 211 apartments.

The buildings will surround two landscaped courtyards. There will also be a wine bar, a health club and residents' parking.

Mr Trippier said the project would help make central Manchester a better place to live, work and invest.

Urban regeneration grants allow private developers to apply directly for government aid to regenerate inner city sites of 20 acres or more, or concentrations of buildings with more than 250,000 sq ft of floorspace. The scheme is the sixth so far and the third for Manchester.

Bracken House in £32.5m plan

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

OHBAYASHI, the Japanese construction group, is to spend £32.5m on redeveloping Bracken House, the City of London head office of the Financial Times, which it bought last June from Pearson, the newspaper's owner, for £143m.

This assumes that Ohbayashi will be granted planning consent by the City Corporation. A planning application will be submitted at the end of the month, according to Mr Michael Hopkins, architect of the scheme.

Mr Hopkins said four meetings had been held with the City planners "who seem delighted with the solution we've come up with."

This solution is to retain the north and south wings of the existing building, which was listed as being of architectural merit, shortly after Ohbayashi's purchase. In the centre wing, new office space will be created to suit financial institutions.

Mr Hopkins's ideas turn out to be a modified version of those advanced three years ago by Wates City of London Properties in secret discussions with Pearson, but then dropped when Pearson backed away from tentative redevelopment plans for the building.

After construction has been completed, by about the end of 1991, Ohbayashi will have 200,000 square feet of office space for lease or sale. The costs of purchase and construction mean that it will have to charge rents of about £70 a sq ft to obtain a yield of more than 7.5 per cent.

Such rents are considerably more than the market will bear at present for equivalent amounts of modern space. Recent lettings at Broadgate – the City's biggest office development – have been £40 to £50 a sq ft.

Mr Shoji Shigeno, executive director of Ohbayashi, said yesterday that no tenant would be sought until planning consent had been obtained. Ohbayashi would prefer to retain the building and lease it rather than sell it, he added.

The new Bracken House will become available at a time when occupiers of City premises will have much more choice than they now have. There is a boom in City construction projects at present but by 1991 they will be completed.

Past practice among Japanese construction companies in the City suggests that Ohbayashi may look in the first instance for a Japanese tenant. A new survey, published yesterday by Jones Lang Wootton, chartered surveyors, found that among overseas financial groups the Japanese were the most committed to expansion.

Ohbayashi said it had already received inquiries for office space in the new Bracken House.

The Financial Times, which occupies the building rent-free until the end of this year, plans to leave at Easter 1989.

Short Brothers appoints chairman

BY OUR BELFAST CORRESPONDENT

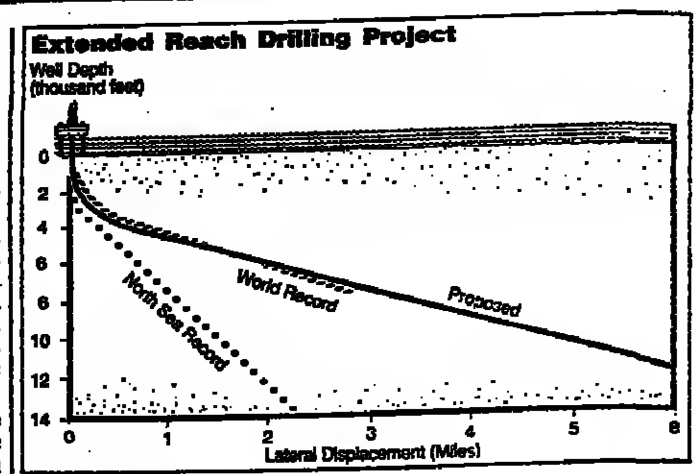
MR RODNEY Lund is to become chairman of Short Brothers, the Belfast aircraft and missiles company, from April 1, it was announced yesterday.

Mr Lund, aged 51, succeeds Sir Philip Foreman, who is retiring as chairman and managing director.

Mr Roy McNulty, deputy managing director, is taking over as managing director,

Mr Lund was educated at Wallasey Grammar School, Merseyside, and Liverpool University. He was commissioned into the Royal Army Pay Corps during National Service and joined Carreras Rothmans in 1959.

He has held senior positions with Urwick Orr and Partners, the Mace Gronp, Rank Radio International, the British Sugar Corporation and Woolworth Holdings. He was appointed chairman of the National Bus Company in 1986.



Conoco tries indirect route to oil riches

BY STEVEN BUTLER

CONOCO, the US oil company, is planning to drill the longest and possibly the most expensive dry hole in the history of the oil industry somewhere in the central region of the North Sea.

Conoco will not be looking for oil in this $40m (£21.6m) project, but seeking to develop technology that would reduce development costs of marginal oil fields in the North Sea and elsewhere.

As Conoco attempts a record six-mile lateral reach, it will do its best to avoid hitting any patches of oil or gas that might suddenly alter the pressure conditions for its experimental drilling.

This is one reason why it wants to site the project in a heavily drilled region where the geology is likely to hold few surprises. Another reason for the location is that the North Sea is seen as being a highly prospective region until the next century.

The record for lateral drilling is held by Esso Australia for a well in the Bass Strait which separates Tasmania from the mainland. This hole extends approximately 15,000 feet at about a 70 degree angle to the vertical. Conoco will try to double that, drilling at a 75 degree angle.

The aim of the project is to see if more oil and gas reservoirs can be reached from a single stationary platform, thus eliminating the need for costly oil platforms at remote locations. The platforms cost hundreds of millions of pounds to construct.

The extended reach drilling technology is also designed to provide an alternative to subsea development, in which well-head equipment for smaller, satellite fields is placed directly on the seabed. These fields can cost $10m to $15m to drill and complete, but access to the wells can be difficult and there are limits to the current equipment that can be placed on the seabed.

By lifting the angle of drilling from 60 degrees to 70 degrees the area that can be reached from a platform rises some two-and-half times. Lifting that to 80 degrees at the same depth would mean a near 10-fold increase.

A second aim of the project would be to improve efficiency within the current range of horizontal drilling projects by developing better equipment and techniques.

The project would test the limits of tolerance on current equipment and Conoco is not entirely confident that it will be able to reach its six-mile goal.

Areas of research include techniques for cementing drill casings, conveying electronic logging equipment down the long well, and transporting drill cuttings.

Conoco plans to start engineering and planning this year and, dependent on Department of Energy approval, would start the drilling next year after inviting other oil companies to share the costs and the results of the experiment.

About six companies have expressed tentative interest in joining the project, and Conoco hopes that about 10 companies would be willing to divide the costs.

APPOINTMENTS

Three join Prudential Assurance board

PRUDENTIAL ASSURANCE has appointed three executives to its board: Mr Keith Bedell-Pearce, general manager of field operations and marketing for the home service division; Mr John Savage, head of administration for the home service division; and Mr Michael Lawrence, group finance director of the holding company, Prudential Corporation, who also becomes group finance director of Prudential Assurance. Mr Bedell-Pearce and Mr Savage retain their present responsibilities.

★

Mr George Ehlers is to become finance director of SOUND DIFFUSION. He is a partner with Robson Rhodes.

★

BRAMMMER has appointed Mr Brian Allison as a non-executive director. He founded the B.I.S. Group which was acquired a year ago by the US-based Nynex Corporation. Mr Allison is a director of Nynex Information Solutions Group Inc. He is also a non-executive director of English China Clays.

★

SIBEC DEVELOPMENTS has appointed Mr David Posner as finance director from April 1. He joins from Wimpey Property Holdings, where he was finance director. Mr Philip Monaghan has joined the board to take responsibility for out of town retail development in the south. He was with Marks & Spencer.

★

Mr Andrew Fullerton-Batten and Mr David Williams have been appointed directors of SMITH & WILLIAMSON SECURITIES. Mr Fullerton-Batten was formerly a City investment director with 3i and Mr Williams a district tax inspector with the Inland Revenue.

★

Mr Robert Collinson has been appointed financial director of ROGER LEWIS ASSOCIATES. He was deputy chairman of ICC Oil Services.

★

Mr Martin J. Eley has been appointed UK sales manager of IVORY & SIME FINANCIAL SERVICES.

★

Mr Allan Jordan, general manager of SWINTON LIFE & PENSIONS, has been appointed life sales director.

★

Ms Belinda Sprigg has been appointed finance director and company secretary of UNIT TRUST SOFTWARE. She joins from parent company Framlington where she was company secretary and chief accountant.

★

PYRAMID TECHNOLOGY has appointed Mr Andrew Ferrier as deputy managing director, and Mr Vic Knight as public sector sales manager. Mr Ferrier was vice president, sales and marketing, for US company Datamedia.

★

Mr J. Dale Clark has been appointed managing director of WEDGWOOD HOTELWARE. He was commercial director at Duracell Batteries.

★

WHITBREAD TRADING EAST has appointed Mr Richard Gundry as tenanted trade director for Whitbread London and Wetbereds, and Mr Peter Besagni becomes tenanted trade director, norther home counties.

★

Mr Chris Reed has been appointed export director of SHEAFFER PEN (U.K.). Mr Ron Draper becomes company secretary.

★

Mr Paul McNamara has been appointed partner in charge of the insurance industry group of ERNST & WHINNEY.

★

Mr Ferrier Charlton has been appointed a non-executive director of THE LAW DEBENTURE CORPORATION. He was senior partner of Linklaters & Paines until he retired last January.

★

Mr Steven Marginson has been appointed financial director and company secretary of IMAGE DATA SYSTEMS. He was financial controller.

★

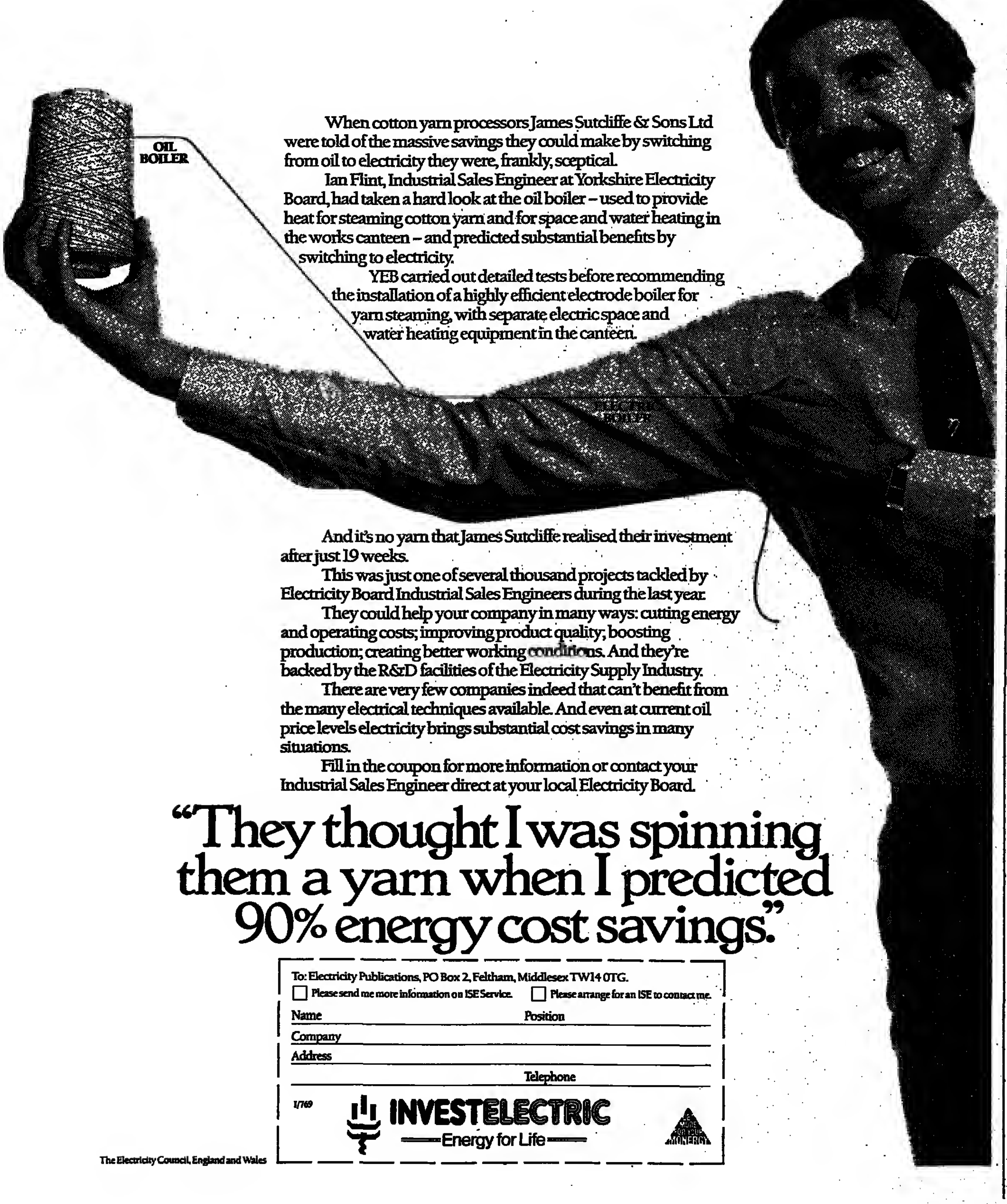
Mr John Coles has been appointed managing director of HUCK-UNITED KINGDOM, Telford. He was industrial division sales manager.

★

Mr Lan Carswell, finance director of The Davy Corporation, has been appointed a director of the Iron Trades Insurance Group.

★

The FREEMAN GROUP has appointed Mr Bill Warren to the board. He is managing director of Warren Insulation Distributors, a wholly-owned subsidiary.



TECHNOLOGY

Magnetic echo pulls in the money

David Fishlock explains how Peter Mansfield is at last reaping rewards for his work on NMR scanners

LITTLE MORE than a year ago Professor Peter Mansfield was a *vocal critic of* the *British* Technology Group for its failure to secure royalties on his inventions. Today ba is singing its praises, as a beneficiary of the biggest single distribution of royalties in the history of BTG, well over £3m.

Mansfield, 54 and a Fellow of the Royal Society, has received the largest individual slice, as the man who has done most in BTG's view to bring nuclear magnetic resonance (NMR) into medical use. Today he believes NMR imaging is poised for a much wider role, within agriculture, the oil industry and in food and drug testing.

In December 1986 BTG won an expensive patent dispnte with Johnson and Johnson. The US healthcare company, sued by BTG, finally conceded that its Technicare division – by then abandoned – had infringed British patents *in its system of NMR* imaging for diagnosing disease.

This action probably cost BTG as much as it could ever expect in royalties from Technicare. But soon after, General Electric of the US agreed to pay BTG royalties on its NMR systems. GE is the undisputed brand leader in a world NMR market that will total between £300m and £600m next year.

The monies distributed by BTG to Aberdeen, Nottingham and Oxford universities and to several individuals – some now in *the US – come mainly from* the GE down payment on past and some future sales.

How much Mansfield has been awarded – "a handsome sum" – he wants to keep secret, for BTG's efforts to weigh individual contributions to the commercial success of NMR has already fomented some trouble among the beneficiaries.

But there will be more money to come. BTG has negotiated NMR licences with GEC-Picker, the sole British maker, and Asahi in Japan. It also believes tha designs of Siemens, Philips, Hitachi, Shimadzu and Toshiba all infringe British patents.

Those patents – BTG has assembled a portfolio of 16 – started with Peter Mansfield in the physics department at Nottingham University. His desk faces a unique "self-portrait": his first whole-body NMR scan, a *fuzzy image of* his liver taken in his laboratory in 1977. The "sitting" lasted 50 minutes and taught him that speed would be crucial to a successful system for patients, he says.

Mansfield pays tribute to his wife for pointing him in the direction of medical diagnosis. She asked why his life-long speciality of NMR could not be the basis of tha kind of hand-held instrument used by the doctor in the Star Trek TV series to identify illness.

The science of medical NMR imaging began in the spring of 1972, with Mansfield ruminating with Alan Garroway, an American post-doctoral researcher, and Peter Grannell, a research student. They were seeking fresh uses for the high-resolution NMR techniques his group had been developing. Could they perhaps reveal the internal structure of a specimen, as well as its chemistry, by wrapping the sample in a magnetic field?, Mansfield mused.

Garroway was sceptical, but Grannell's interests encouraged Mansfield to make the first calculations to suggest it might work. Over the next 18 months these led to a theoretical base for imaging which, Mansfield says, has becoma the standard way of looking at all imaging techniques, "namely the use of not real space but reciprocal lattice space."

And therein lies the difficulty BTG's executives faced – and still face – in negotiating licences. For in 1973 Paul Lauterbur of the State University of New York published in Nature an idea for generating a three-D image which BTG believes is also fundamental to the technology. Unfortunately for Lauterbur, he failed to apply for patents, although BTG has no doubt a patent could have been secured.

These two theories sparked wide interest in NMR imaging, both in Mansfield's own department, where two other groups began work, and more widely, at universities including Aberdeen and Oxford.

Meanwhile, Mansfield, Garroway and Grannell began work on what was to become the slice selection technique, cornerstone of all modern NMR imaging machines, Mansfield says.

In 1977 they asked Oxford Instruments to wind the electromagnet which took Mansfield's self-portrait. He recalls how he posed uncomfortably, standing between overheating coils for 50 minutes. Today the patient lies down and a single image takes only 4 minutes.

Mansfield forged bonds with Nottingham's medical school through Rex Coupland, professor of anatomy. Over the last decade he has been supported by about £2m of government funds, from the Medical Research Council, the Department of Health (DHSS) and the Royal Society.

He has fought off attempts to lure him into partnership with mora fashionabla medical schools. He also survived GE's attempts to seduce him to the US to work on his ultra-fast imaging ideas, seen as the next generation of NMR medical imaging.

He suffered a major disappointment, however, when GEC-Picker, with which the DHSS wanted him to collaborate on research, abruptly ended over two years of discussion, "pleading poverty," he says.

For Britain, the industrial spin-off so far has been minimal.

GEC-Picker is not one of the bigger NMR suppliers, and none of Nottingham'a NMR technology has spun off to benefit the local community.

The defection of GEC-Picker has frustrated Mansfield's bopes for government backing for his ideas for ultra-fast imaging, based on his echo plane imaging patents, which are currently exciting GE, Siemens, Philips and others. The idea is to be able to follow fast-changing biological responses. "We may be missing important transient phases which we could sae with high-speed NMR," he says.

He is convinced that high speed technology is the future of NMR medical imaging. To examine a continuously moving organ like the heart the doctor needs eight or more images spanning the cardiac cycle, at four minutes per image. The cbest motion superimposed on this cycle can double the scan time again, to an hour or more for a patient with heart trouble. It can tie up an expensive medical tool – average cost of a system today is about £1m – for two to three times as long as a CT-scannsr using X-rays to image the heart.

Mansfield had mapped out a £3m, two-year research programme to pursue echo planar imaging at Nottingham, built round his own design of spectrometer using a more powerful magnet than is used in commercial imaging systems. But government rules require him to find a commercial partner before it will give more support.

He has support, however, for another pioneering NMR project. The Royal Society has provided £400,000 from its instrument fund for Roger Ordidge, in Mansfield's group, to develop en NMR microscope. Later this year Ordidge hopes to be able to use the microscope to follow the chemistry of a single living cell. Tha current imaging systems can only average the chemistry of a myriad of cells composing the tissue being scanned.

Oxford Instruments is supplying the very powerful superconducting magnet required by this microscope, 11.5 Tesla but with a bore of only 9 cm, compared with a metre or more for a body-scanner.

Nottingham University's NMR microscope will be a national research facility, an instrument scientists from many disparate fields will come to use.

WORTH WATCHING

Edited by Geoffrey Charlish

US keeps track of chemical dangers

COMPUTER MODELS developed at the Los Alamos National Laboratory in the US are able to predict where airborne chsmicals, released by accident, are likely to go and how fast they will travel.

The work has been instigated partly by the tragedies at Bbopal in india (2,800 dead) and at a volcanic lake in The Cameroon, Africa (1,700 aspbyxiated). However, the laboratory is mainly working on solving problems for the US Army, which has been directed by Congress to dispose of its chemical munitions by 1994.

The Los Alamos models, developed on Cray supercomputers, can predict for the first 12 bours after release of a gas what will happen within about 60 miles of the release point.

The team at Los Alamos believes it has attained "something of a computational milestone" in being able to transfer the abilities of the model from a super to a personal computer. This means that a local official would be able to use his personal machine on site so that appropriate evacuation of local populations could be carried out.

VDUs given no time to reflect

BALZERS High Vacuum, of Berkhamsted in the UK, has developed filters which reduce annoying reflections on visual display unit (VDU) screens. The filters also improve the contrast of on-screen characters.

The company, which specialises in thin film coatings for many optical applications, claims that existing systems have been unable to cope simultaneously with reflections, glare and contrast improvement. It claims that most filters combat reflections simply by decreasing all light coming from the screen.

The coatings on both sides of the Balzers filter eliminate over 99 per cent of reflections, it is claimed. Reduction of reflection and glare "is not exchanged for poor image quality," and the filters are available to suit most screens.

UK sounds warning note on smoke alarms

THE BRITISH Safety Council is asking the UK Government to introduce, "as a matter of urgency," controls on the standards of smoke detector alarms sold to the public.

James Tye, the Council's director general, says: "We are very concerned that following the recent publicity on the dangers of foam-filled furniture, the country is now open to being flooded with smoke detectors. Many of these may be unreliable and inappropriate, and will not save lives."

Tye asserts that "the present situation is a licence for cowboys and opportunists to make money out of people's fears and at the expense of their safety."

Insurance quotes around the clock

UNITS WHICH look like bank cash dispensers bnt provide insurance quotations are coming into action in the UK. Known as I Quote, or IQ, the machines are being installed at insurance brokers and financial service companies to allow quotations to be dispensed on a 24-hour basis.

The machines, offered by Independent Systems of Halesowen in the UK, are installed on the inside of an office window and the proximity-sensitive keys are operated through the thickness of the glass. Facilities availabla include accurate quotations for car, house and other insurances on the IQ screen, and the provision of product information and message services.

No capital outlay is involved for brokers. The machines are provided by Independent Systems for £38.50 a week (basic facilities) and installation is free.

Stoking the efficiency of coal-fired boilers

HOLDEN Heat (UK), of Worcester, has designed domestic and office coal-fired boilers which relieve the user of having to deal with either coal or ash.

Known as the Heat House, Holden's system uses Coalflow Pearls from British Coal. This solid fuel of predictable size moves easily from a bunker, via a screw feeder device under system control, and into the fire.

The ash is removed by a similar pipe with screw, and falls straight into the dust bin. By this tima it has cooled enough to *allow even* the use of plastic bin liners.

The system is claimed to be cheaper to run than electrical or oil-fired boilers.

Taiwan chips away at IBM's PS/2

TAIWANESE COMPANY Acer Gronp, a multinational conglomerate in the compnter field, is about to launch a chip set of nine ASICs (application-specific integrated circuits) that will allow a personal computer manufacturer "to build a fully compatible IBM PS/2 model 30 machine."

The complete sst costs US$88, reducing to US$77 per set for quantities of 1,000 or more. The IBM model 30 is at the bottom of the company's new PS/2 range, with a performance not much greater than that of the IBM PC XT and AT models. The model 30 does not use the Microchannel architecture technology which features on other PS/2 machines and which IBM has said it intends to defend fully from the "copy-cats".

IBM has already said it "will look at products as they appear" with regard to taking legal action to prevent copying of PS/2 designs. It is determined to prevent a repetition of the way a proliferation of clones of its earlier models took a significant portion of the PC market.

In the US, two companies, Western Digital, and Chips and Technologies, say they have completed development of machines that clone the PS/2.

The Acer ASIC set is likely to be handled, in the UK, by Interpoint Computers, a recent acquisition of the Taiwanese group. Acer co-ordinates activities in Europe via offices in Dusseldorf, Germany. It also has subsidiaries in the US and Hong Kong.

CONTACTS: Los Alamos National Laboratory: US, (505) 667 7000. Balzers High Vacuum: UK, 04427 2181. British Safety Council: London, 741 1231. Independent Systems: UK, 021 550 8887. Holden Heat: UK, 09952 634. Acer: UK office, 0753 690008 or in Germany on 211 66060.

FINANCIAL TIMES SURVEY

Hampshire is facing strong development pressures, highlighted by the proposal to build a coal-fired power station at Fawley. Local authorities will have to work closely together to maintain a balance between economic growth and protecting the environment, says **Roy Hodson.**

CONTENTS

Illustration by Mandy Li

HAMPSHIRE

Rural charm under threat

ON A FREEZING night recently, a public meeting held in the village of Hamble, on the river of that name near Southampton, was *packed to the doors.*

The matter which had persuaded so many of the villagers to leave their firesides was the Central Electricity Generating Board's proposal to build an 1,800 *megawatt coal-fired power station* on Southampton Water (Fawley B), together with a terminal to bring in coal by sea. The plans include a 1.5m tonnes coal stockpile 50 feet high, covering 50 acres, with a railway link to send coal trains inland.

Looking down their river, a pretty spot favoured by yachtsmen and fishermen, towards the Fawley site, where there is already an oil-fired power station and the great Esso oil refinery, the villagers show no enthusiasm for sharing the view with a new 700-foot chimney or a coal mountain.

Interested parties all had their say at the meeting and were heard with courtesy. Captain Malcolm Ridge, the Southampton harbour master, pointed out that the port, which during the last few years has lost its passenger cross-Channel ferry traffic to Portsmouth, could easily take the extra ships. And of course the port would welcome the new business.

Mr Maldwyn Drummond, who happens to own and farm the land the power station would be built on, said he was totally opposed to selling it for that purpose. One of the Verderers (guardians) of the improbably named New Forest (it is getting on for 1,000 years old), just behind the site, argued that the two could not go together. "You can move the power station. You can't move the forest", he said.

Mr David Sharp for the CEGB gave assurances that everything would be for the best. The south of England badly needed new power stations. And this site could also supply coal to inland stations such as Didcot. Sulphur dioxide emmissions from the giant chimney would be reduced by 90 per cent by a special plant. The coal stocks would be damped down with water to stop them being disseminated across Hampshire by the first Force Ten storm.

The Solent Protection Society, which is concerned with preserving the character of the waters, creeks, and harbours between Hampshire and the Isle of Wight, simply offered its view that the power station would be the biggest disaster since the society was founded 25 years ago.

A wide and vigorous range of views certainly on a project which is still in the early planning stage. The way the discussion went thet winter's night in Hamble village serves to encapsulate, in a single case, the difficulties being faced by the many pressures npon modern Hampshire.

How can one of Britain's most beautiful, most charming, and, in parts, most rural of counties, protect those things that it is most valued for, while, at the same time, holding a position in the forefront of industrial and commercial progress in Britain?

The Fawley power station proposal has raised that question in the most acute form Hampshire has experienced so far. Indeed, there are early signs that the Fawley B controversy may have such a impact upon the county that it will unintentionally set new ground rules for future development.

It is significant that the other two most contentious issues being faced by Hampshire at the present time are also concerned with changes to the environment. One is the attempt by the county council to build a by-pass round Lyndhurst in the middle of the New Forest on forest land. The New Forest receives 9m visitors every year - more than any of the national parks in England and Wales.

The other issue is the continuing struggle by the Department of Transport to win agreement to complete the last few yards of the M3 motorway round Winchester and belatedly join the south coast *of England* to *the national motor*way system. The need to plug that gap in the motorways cannot be contested. But if the road is built above the Twyford water meadows, a corner of old Hampshire will be *lost forever.*

Hampshire is now the most industrialised of the southern counties. It is sharing with Berkshire much of the "high-tech" industrial development based npon ths micro-chip that has spread west and south from London — computer hardware and software prodnction, distribution points for *foreign*—made compnter peripheral equipment imported through Heathrow, and similar ancillary services.

"The most recent — and unexpected — development of all has been the discovery of commercial *oil reserves under the Hampshire* countryside, and the exploitation of the big Wytch Farm oilfield in the neighbouring county of Dorset. The Wytch farm oil will be sent to Southampton Water down *a pipeline which is now being* built skirting the New Forest.

IBM chose to come to Hampshire 30 years ago and, with its UK headquarters at Portsmouth, and manufacturing and research in the county, is now the biggest private sector employer there. The county is also the traditional arsenal for the British armed services with a remarkable concentration of prodnction, and research and development for the navy, army, and airforce within its boundaries.

The rural heartland is rich and well-farmed and boasts two sporting rivers, revered by fishermen, ths Test and the Itchen. The coast is dominated by two great industrial and *commercial* cities and ports, Southampton and Portsmouth. Both still follow a long and robust tradition of going their own ways without bending the knee to the county authorities at Winchester.

Competing forces in Hampshire might have destroyed or at the least seriously defiled a lesser place long ago. The wonder is that modern Hampshire remains in remarkable good shape in spite of all the stresses and strains within it.

Jane Austen, who lived most of her life in the county and is buried in the north *aisle of* Winchester Cathedral, would not find the Hampshire of today disagreeably different from her Hampshire at the turn of the nineteenth century.

Her beloved village Chawton has not changed much. Winchester still likes to play the role of the proud, comfortable, ancient capital of England. Southampton is still a commercially-minded place looking from its port for opportunities overseas. Portsmouth is still the salty naval base she visited.

Only in Basingstoke might she feel a stranger. The once — sleepy *country town has been developed* in the last 20 years, first as an overspill area for London and lately as a business show town for the new Britain. It is now home to 400 national and interna*tional businesses (The Automo*bile Association, Sony, IBM, Digital, Motorola, Provident Life, and Sun Life of Canada, to name a but few). The population has grown from 25,000 to nearly *100,000 and the accents heard on* the streets amid the glass office blocks owe more to London and New York than to rural Hampshire.

Hampshire county council is now bringing together four separate structure plans for parts of the county into a grand strategy to serve the county at least until the year 2001. "We are confident that we have put to the Secretary of State for the Environment (Mr Nicholas Ridley) a strong case for our proposed rate and scale of growth", says Mr John Gregory, assistant county planning officer.

By the end of the 1980s upwards of 90,000 new houses will have been built in Hampshire in a ten—year period. The county council wants to slow the pace to between 55,000 and 57,000 new bouses during the 1990s, together with industrial and commercial development to provide *40,000 new* jobs.

But the county fears that Mr Ridley might see it as his duty within the context of the overall *development* of the south east of Britain to wish a bigger allocation of houses upon *Hampshire.* Councillor Dudley Keep., chairman of the county planning and transportation committee, says: "We are a little terrified that additional housing would damage our plans for keeping a proper balance in the county between the environment and economic growth". The county wants to slow down development in north east *Hampshire* before, as Mr Gregory says "It boils over". The agricultural area of the chalk downlands which run in a broad band across the middle of the county will continue to be protected *"as a countryside buffer* between the more urbanised southern and northern parts of the county".

Basingstoke is an exception although it is just on the northern edge of the *downlands* area. The town still has room and resources for growth and a local council anxious to keep np the impetus. Mr Michael Davies, the Basingstoke chief estates surveyor, *expects* the *population to* grow by at least another 10,000. In the town's Hatch Warren district a further 2,000 bouses are being, or are about to be, built. Well over 100 acres for industrial *development is still available* in the town, and there are four major office sites waiting to be developed.

Unemployment in Hampshire has been running at about 7 per *cent during* this winter. In booming Basingstoke it is only 3.5 per cent (2,500 out of work), a level which the planners claim actually represents full employment if people moving between jobs are taken into account.

But in Southampton unemployment is nearly 9 per cent, and in Portsmouth nearly 10 per cent. The two coast cities each have nearly 16,000 unemployed — little wonder then that they are much more interested in promoting new industrial and commercial activity than is Hampshire as a whole.

Southampton and Portsmouth both have very ambitious city centre shopping schemes while nearby Fareham and Eastleigh have town centre improvement

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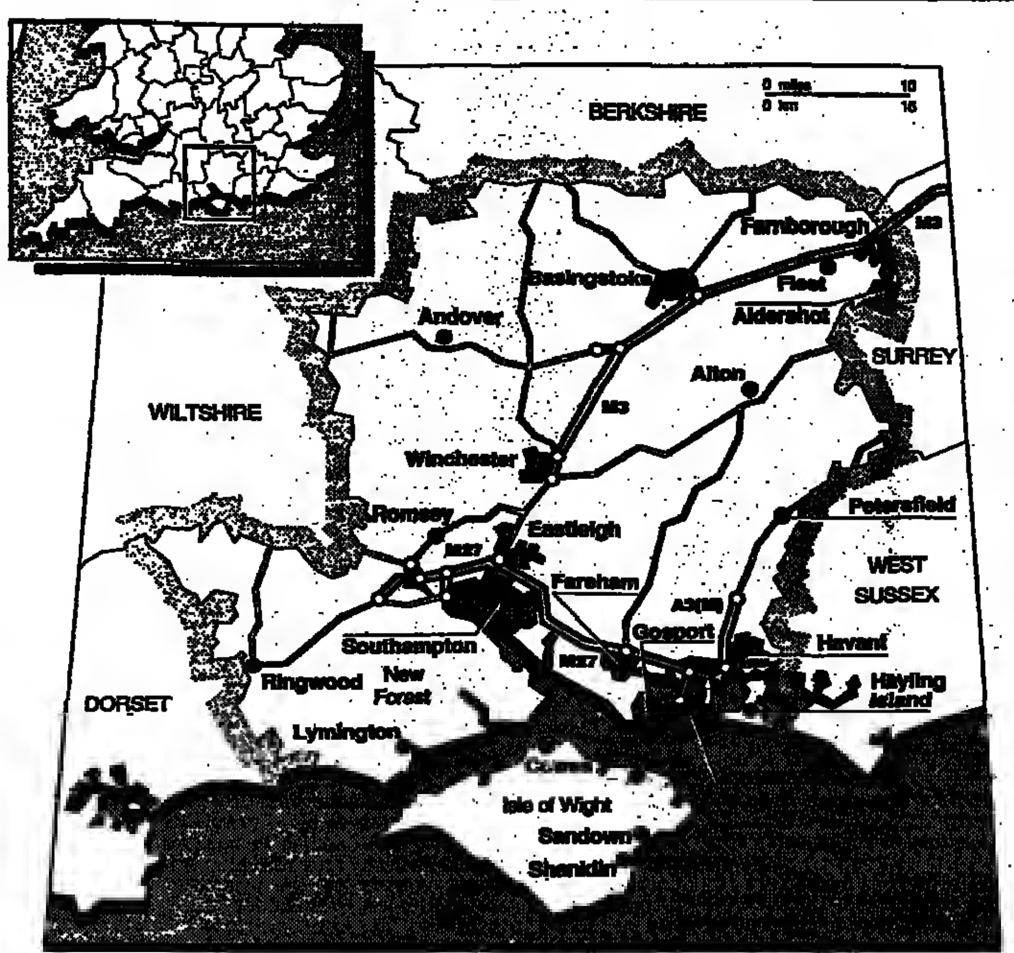


Company profile: IBM

Bell wether of the county's economy

IBM IS planning celebrations this spring for the 30th anniversary of its arrival in Hampshire.

It will be an occasion to trot out the clichés about "small beginnings" . . . "from little acorns great oak trees grow", and the rest. For the world's biggest computer company now has its UK headquarters alongside the M27 motorway at Portsmouth, and altogether has 21 locations in the county employing nearly 9,000 people. It is Hampshire's biggest employer in the private sector.

The UK headquarters might have been thought up by a psychologist as a constant reminder *to its inmates that to succeed in* business you dare not stop work – even for a moment. It is built upon land reclaimed from the sea. The site is several feet below sea level. Constant pumping is necessary to prevent the good ship IBM from floating away. The much-admired lake with its wild life in front of the building is, in fact, a holding tank in the sophisticated system of drainage for water before it is returned to the sea beyond.

IBM first became interested in Hampshire when it decided to move a laboratory out of London and sought an attractive area for its scientists to live. The choice narrowed to Cambridge and South Hampshire. Eventually a stately home, Hursley Park, was chosen as an interim location. *Meanwhile the company bought* land for a permanent scientific base some miles away.

"But" confesses John Huffell, IBM resident director for Hampshire, "we fell in love with Hursley Park and the surrounding district. We bought 100 acres and the site has proved to be everything that we set out to achieve. It is an attractive area and it is well-liked by the sort of people we want. Also strong links have grown-up with Southampton University and Portsmouth Polytechnic".

Among the most successful work to be done at Hursley during the last few years has been development of computer software, in particular the Customer Information Control System (CICS) which has become the *most successful of the IBM soft*ware products worldwide.

Finding itself with a successful laboratory in Hampshire, in an area which quickly proved popular with staff, IBM decided to go on and support that venture by establishing within easy reach manufacturing facilities for the ideas coming out of Hursley.

A radius of 25 miles around Hursley was at first considered so that people would be able to work flexibly as needed at either the laboratory or the production centre. In the event IBM had to go slightly further, but remained in Hampshire and found a manufacturing site (complete with the industrial development certificate needed in those bureaucratic days) on the coast at Havant.

The Havant plant now makes communications products, retail banking cash terminals for the entire European market, and middle range computers – while IBM's personal computers for the European market are assembled made at Greenock in Scotland. Havant employs 1,900 making products for the European market while almost the same number (1,800) work at Hursley on research and development.

With Hursley and Havant demonstrating synergy – staff living between the two centres identified with them both – IBM's next big move was to shift its UK headquarters out of several leased buildings in West London to a single provincial location in 1970. "Hampshire was high on our list from the start of the search for a site," says Mr Huffell. "We already had a presence in Hampshire and had integrated into the life of the county."

The site to the north of Portsmouth harbour became available at an attractive cost. A mudflat 8 ft below sea level was an unusual property to say the least. But it suited IBM very well with the resources of Portsmouth, Winchester, and Southampton, near at hand, good communications with London and Heathrow, and a firm company base of scientific work, manufacturing (and, more recently, marketing at Basingstoke) all within the county.

The complex of offices forming the IBM headquarters sit behind their lake to the north of the M27 and now employ 3,400 people.

It is taking a long time for the modern buildings to blend into to the landscape. But IBM always knew it would require time and patience. The land surrounding the buildings and the lake and waterways has been arranged so that the scene is well manicured near the building, while it is allowed gradually to become rougher towards the outer perimeter.

Consultants monitor the state *of IBM's countryside-in-miniature* and make sure that, for instance, the grass and scrub is not cut until the many species of wild-flowers to be found there have seeded each year. IBM has planted 65,000 trees and shrubs so far to blend its headquarters into the landscape. In return it can boast that there are 50 species of birds using the site.

With 40 per cent of IBM's British operations in Hampshire (IBM UK made £465m profit before tax last year) the company is well satisfied with that decision 30 years ago to move into the county.

The county has no complaints either. It is reckoned that IBM employees and the company contribute £45m to the county each year in rates alone, while the company's wider contribution has been to act as a bell wether – leading development of the strong advanced electronics and computer activity in the county.

The computer company Digital has followed its rival IBM into Hampshire to the evident satisfaction of both companies. "Such a grouping of activity in an area generates a climate, and also helps staff flexibility", explained *one computer company executive.*

Roy Hodson

Basic facts

County population: 1.52m
Administrative Headquarters: Hampshire County Council, The Castle, Winchester, tel. Winchester 841841.

Hampshire Development Association: 13, Clifton Road, Winchester, tel. 0962 56060

Hampshire Employment Land and Premises Register (HELP): 13, Clifton Road, Winchester, tel. Winchester 56276.

Basingstoke and Andover Enterprise Centre: tel. Basingstoke 54041.

Blackwater Valley Enterprise Trust: tel. Aldershot 319 272.
East Hampshire Enterprise: tel. Alton 87577.

Portsmouth Area Enterprise: tel. Portsmouth 833821.
Southampton Enterprise Agency: tel. Southampton 788088
Southern Tourist Board: Town Hall Centre, Leigh Road, Eastleigh. tel. 0703 616027.
South East Hampshire Chamber of Commerce: 1,600 members serving Hampshire, Dorset and Wiltshire, Bugle House, 53 Bugle Street, Southampton, tel. Southampton 223541.
South East Hampshire Chamber of Commerce: covering Portsmouth, Havant, Fareham and Gosport, 27 Guildhall Walk, Portsmouth. Tel. Portsmouth 825 351.

The economy

Rich mixture of modern industry and commerce

FOR A county which places great store upon the quality of its rural life, and the high business standard of its farming, Hampshire can also show a rich mixture of modern industry and commerce.

The county has long had an enviable stake in the electronics industry through the presence of IBM's UK headquarters and a number of subsidiary plants.(See adjacent profile)

Two of the most recent arrivals to *boost the county's reputation* as a high–tech industry centre have been Digital, the computer company, which has taken 100,000 square feet on the Viables Business Park at Basingstoke for new offices and research and development, and Sony Broadcast which is building its new British headquarters in the same park for its new UK headquarters.

Outside Southampton, meanwhile, the Ford factory at Eastleigh which specialises in building the Transit van has been extensively re-equipped to build the latest models. The plant holds a high position in the group's private performance league of its worldwide manufacturing facilities.

More than 90 companies with United States origins are now located in Hampshire. They include AC Spark Plug Overseas, Air Products, Borden UK, Eli Lilly, IBM, Johnson & Johnson, Monsanto, and Warner-Lambert.

Home-grown companies include Pirelli, the cable-maker, at Southampton and Ferranti, Marconi, Plessey, Racal, and Smiths Industries, are among the leading electronics and defence equipment suppliers with a strong presence in the county.

Chemicals, oil, plastics, and pharmaceuticals are represented by, among others, Boots, BP, Esso, Cope-Allman Plastics, Cyanamid, and Monsanto.

So far these and other growing businesses in Hampshire have not been hampered by labour shortages. While unemployment is below national levels (with the exception of local pockets of unemployment in Southampton and Portsmouth) the Hampshire Development Association says that the county's skilled labour force is continuing to expand by inward migration and growth of population.

Many of the high–tech and computer industry based newcomers to Hampshire have preferred to settle in the north of the county, or the mid-county towns of Basingstoke and Andover. At Farnborough there is a major development which will transform the station and the surrounding areas with office developments, while the Frimley business park provides a 26-acre modern industrial site. Also 50 acres of land at the Royal Aircraft Establishment, Farnborough, are to be developed for business aviation and high–tech industry.

Southampton, Portsmouth, and Gosport, are aiming to transform old port and military areas into modern industrial zones. In Southampton several big dockland developments are coming forward including a 40-acre estate at Dock Gate 20. The Free Trade Zone there is also specially attractive to certain classes of business.

While high–tech industry may be said to rule in northern Hampshire there is no doubt that in the southern part of the county the basic strength of the industrial economy is to be found in the vast range of small engineering, and engineering services industries. Many of them owe their origins to defence work, to the ports, and to the related port activities including shipbuilding and repairing, oil refining, and petro-chemicals.

Looking to ahead 1992 when the European Community is expected to work as a truly common market for industrialists, Hampshire business leaders are already forging stronger links with their opposite numbers in Normandy. Their combined dream is that the two regions may together create a core of business activity within the EC after the Channel Tunnel is open.

Roy Hodson

Problems grow more acute

Continued from page 1

schemes. This investment to provide new hearts for old urban areas is now facing a considerable threat from out-of-town shopping developments.

The M27 motorway along the south coast is so convenient a highway that it is attracting applications for a cluster of super shopping centres at every intersection. Mr Peter Beebe, director general of Southampton Chamber of Commerce, sums up his members' concern. "If all these developments want ahead, then southern Hampshire would be swamped in out–of–town retail development."

His chamber is strongly urging the need for better co–ordination and overall control of that type of development in Hampshire.

Another strong voice speaking for the big Hampshire cities is heard from Portsmouth where Mr Richard Trist, the city's chief executive, says: "here in Portsmouth we have £600m of private development going on at the present time in industrial, commercial, shopping, and housing development. And we are achieving it within the most densely packed urban area in Britain." Built on an island Portsmouth has only 1 per cent of Hampshire's land area but provides 30 per cent of the jobs in the county.

Hampshire's future success will depend crucially upon the the three powerful anthorities, Southampton, Portsmouth, and *Hampshire county*, being able to get on with each other as the problems posed by development become ever more acute.

Southampton University is justly proud of its joint venture research with industry

New arrivals vindicate partnership

SOUTHAMPTON UNIVERSITY is a formidable powerhouse of specialisation in science and engineering, with a commitment to joint venture research with *industry that has led the university* to a position of considerable strength, not just in academic but financial terms.

An important new dimension to its industrial effort is the Chilworth Research Centre, initiated by Professor John Large, the former Dean of Engineering, with the assistance of Southampton City Council's economic development office in 25 acres on the outskirts of the city.

The first phase of 61,000 sq ft is occupied by 22 companies. The second phase of 150,000 sq ft has brought with it the exciting arrival of the British Satellite Broadcasting Corporation, which *will be taking almost half that* space.

The rest, which includes a manor house destined to become a conference centre, is to be developed in partnership with MEPC, yet another example of the university joining with a top company to achieve its objectives

The whole venture is seen by the city council as a vindication of its partnership policy, which is aimed at ensuring high quality employment opportunities are secured in growth industries at the forefront of technological change.

Chilworth Research Centre, on the outskirts of Southampton

Professor Large is proud not *just of the number of companies* which have spun out of the university in recent years but the way in which they have fared. The Chilworth Centre's experience is very much in line with a UK Science Parks study carried out by accountants Peat Marwick McLintock, which found that, while there was a failure rate of *about 25 per cent in small busi*nesses, this fell to 10 per cent among technology-based companies moving off science parks and to only 2 per cent on science parks themselves.

Within the university — and he still spends a great deal of his *time in the Institute of Sound* and Vibration Research — Professor Large sees his role as that of a director of industrial affairs, creating awareness of the opportunities for researchers to go into industry and look for commercial applications of the research they do.

His proselytizing has already *borne considerable fruit. Of the* annual cash flow to the University, 85 per cent is non-University Grants Commission monay. Within the angineering department the proportion rises to 60 per cent, and in his own sound vibration studies department — Prof Large spent 18 years with Boeing — it is an extraordinary 85 per cent.

Dr Gordon Higginson, vice chancellor of the university, is equally proud of this industrial effort, pointing also to the links with the Central Electricity Generating Board, Ford, the Wolfson unit for research into marine *technology and aarodynamics,* and a joint venture with the French of a super-computer using the Inmos chip.

Looking forward,he sees the university as a major supplier of continuing re-edncation courses to industry, providing perhaps as much as a third of the university's income by the end of the century.

But he also emphasises the all-round edncation which he wishes Southampton to give to its students, rather than seeing them simply as a commercial asset. "We are very anxious to maintain a balance of disciplines in Southampton. Two of our big faculties are arts and social sciences and our policy is not just to maintain their present size but, hopefully, to allow them to grow," he stresses.

Dr Higginson also speaks warmly of some of the smaller departments which do not always grab the headlines. The history department has recently attracted a grant of £200,000 from the Leverhulme Trust to carry out research into the Mountbatten Papers. The grant will enable two research assistants to work for five years.

The demographics section of the statistical studies department is close to establishing a degree course in population studies, an area of research which is crucial to the assessment of future *demand for such things as health* care, pensions and education as well as baked beans and jeans. "It is one of our jewels," Dr Higginson adds.

Stuart Alexander

Residential property

Planners press for inner-city building

A YEAR AGO four-bedroom houses were being sold in Ocean Village, the mixed marina, commercial and residential development which occnpies the old *ferry docks in Southampton,* for £118,000. Today the price of those same houses, not only asked but realised, is £250,000.

There are many similar examples, often of houses on the currently fashionable waterfront developments, *bnt throughont* the county. Prices have been rising strongly, demand is good, and the effect of the stock market shake-out last October has been barely noticed.

Further similar developments at Port Solent, outside Portsmonth, expansion of Hytha Marina Village, on Southampton Water, a *proposal for Town Quay* alongside Ocean Village, and up the River Hamble at the Moody marina are all put forward in an atmosphere of confidence about demand. The perennial dinner party topic about rising London house prices now has a local relevance.

Reports from the New Forest along the *south coast,* np into the market towns of Alton, Alresford and Petersfield and back along the northern corridor point to the same increase in prices and an imbalance of demand and supply. There is a parallel shortage of rented accommodation.

Mr Peter Bateson of agents, Young & White is confident that the trend is set to continue. "The continued growth of industries and the establishment of new companies, together with the improved road communication, and the development of new shopping and leisure facilities, should result in all sectors of the housing market showing substantial growth in values over the coming year."

All of which shows confidence in the growing prosperity of the area and its people. But for Hampshire as a whole, estate agents, Fox and Sons, have recently pointed to some of the problems this can bring. "House huilders are finding land with planning consent a very scarce commodity, says its managing director Godfrey Winterson.

"The intense level of demand has accelerated tha price per acre through the £500,000 mark and it is now speeding towards tha £750,000 price tag. Many pundits wince, but for developers there is no alternative bnt to pay the price, particularly when the rising market continues to make new house building a viable business."

He argues that Hampshire *county council and the district* authorities have severely underestimated demand for housing in the county, particularly on the M3 and M27 corridors. "Starter homes on new estates in Hampshire are moving up in price faster than any area in the south. It is difficult to find one under £50,000 and soon first time buyers will be nnable to afford the rising prices.

Therein lies a danger, warns Mr Winterson. "The rise in price of first time buyer housing now exceeds salary increases. A halt at the bottom of the ladder will necessarily slow down the whole house buying process and a credit squeeze could produce a major upset."

The county council realises that a balance has to be maintained between runaway development and an overheating of prices which has already led to industrial companies in Hampshire having the same difficulties in attracting staff from less costly areas of the country as their counterparts in London.

They are resisting two proposals in the north-east of the county, one at Hook, the other at Foxley Wood, which would see new estates — "virtually new *towns,*" said one senior official — of np to 4,000 new houses on each. The appeal against the Foxley Wood plan opens on June 2.

The planning authorities would like to see more redevelopment take place in the inner areas of cities and towns, not high density low cost housing but accommodation designed to attract higher paid staff to reduce their travel to work distances and bring the twin boost of capital investment and shopping spend back into the middle.

They would also like to see some of the pressure taken off Basingstoke, which continues to attract new office development but which relies heavily on the staff driving in from the outlying villages and towns and continually threatens further encroachment on the countryside. In particular,the county would prefer to see some of this pressure being siphoned off by Andover.

Central to the planners think*ing is the need to preserve the* quality of life in Hampshire which among other requirements means keeping the agricultural beauty of the Hampshire Downs, and protecting the New Forest and its role as a leisure amenity. For this reason, they are opposing the building of the coal terminal and new powar station at Fawley, and modifying their industrial strategy in favour of looking after existing companies in the 1990s rather than trying to attract new ones, which would bring even more people into the county.

Hampshire's own demographic *predictions point to the needs for* more smaller housing units to cope with the demands of people living longer and leaving home earlier, as well as the increasing numbers living alone.

They also foresee access to London decreasing in importance as a factor as the local economy continnes to develop its own momentum.

Stuart Alexander

Maritime industries

Sea sponsors a wide range of economic and leisure activities

THE FULL impact of the sea on the economy of Hampshire has yet to be charted in full, but it is considerable. From the ferry port and Naval base at Portsmouth to the container and ro-ro port of Southampton are the most obvious signs. But thousands more jobs have been made available through the hundreds of companies which operate on the estuaries and the rivers Itchen and Test.

At one end of the marine industries spectrum, there are marina developments, the supply of services to yachtsmen and the building of their boats and equipment. At the other, the revival in ship repair work, and the building and servicing of warships. The net result of this marine - related activity must be a minimum of 50,000 jobs. If those activities of companies such as Plessey and Marconi which are directed towards local customers are also taken into account, then that figure could easily be doubled.

"Australia is a maritime continent that hardly knows it and the same could be said for Hampshire as a county," says Dr Brian Hoyle, head of the geography department at Southampton University. "Many people only knew about the port of Southampton when there was a labour dispute and, though there was obviously a greater awareness at Portsmouth, because of the Navy, the relationship between the urban and port communities has often been tenuous.

He feels this was partly caused by the physical barrier between the present centre of Southampton and the port created by the bombing of the original commercial district during the Second World War. The business area was rebuilt further north and the land between left derelict; some sites are still undeveloped.

Southampton was upset when it finally lost its ferry services to Portsmouth after a series of protracted labour disputes - though some feel that Portsmouth's shorter sea crossing to France may have been preferable to the companies anyway

But there have been two beneficial effects for Southampton. First, it has forced the port to concentrate on rebuilding its trade. Second, it has enabled the port authority to release land – such as at Ocean Village from which the cross-Channel ferries originally ran – and so use the water to generate jobs in another way.

Southampton's traditional passenger liner trade still results in over 60 visits a year – and the port has invested heavily in an improved QE2 lounge – but it is in the rebuilding of its container traffic and the development of a variety of bulk cargoes which has seen its prosperity return.

There will be 325,000 containers handled by the port this year through a company set up within the privatised Associated British Ports. But in addition to the 300-plus people provided by that company to handle the containers, sometimes 24 hours a day, and make best use of the new cranes and extended docks, there are many more employed by the shipping and agents companies around the dock.

The same is true for the bulk handling of Martini by the million litres, grain and scrap by the hundred thousand tonnes and Jaguars, Fiats and Renaults by the shipload.

The oil refinery at Fawley still accounts for the import of over 21m tonnes of crude oil a year and, if the Central Electricity Generating Board has its way and is allowed to build a new coal-fired power station,it will also be the site for a new jetty to handle bulk carriers carrying up to 150,000 tonnes of coal at a time and some 8m tonnes a year in total. Add in the need to take away waste products such as ash and the implications for port movements is clear.

Of a more conventional nature are the dry dock facilities which have been taken over by Thew Engineering, and the warship building operations of Vosper Thornycroft. Now privatised, and due to be floated on the stock market in the near future, Vosper Thornycroft specialises in the construction of glass-reinforced warships, mainly minehunters, but also fast patrol boats.

There is still a ferry service operated out of Southampton by Red Funnel to the Isle of Wight. But it is at the eastern end of the Solent that the big success story in ferry operation has been written. Over the last five years Portsmouth has grown into the second biggest ferry port in the U.K. after Dover. This despite the limitations imposed by the Queen's Harbour Master, who must ensure the free movement of naval warships at all times, and moves to bolster commercial traffic through the port despite its limited wharf space and lack of water depth. The recent addition of destinations like Ouistreham, at the canal entrance to Caen, plus services to the Channel Islands, promises to increase the number of passengers already using Portsmouth each year beyond the present 2m. figure.

Portsmouth has clearly benefitted from having a motorway link almost to the dockside, though there is still a need for more marshalling space for the thousands of trucks using the port.

Although the Royal Navy still controls important tracts of land around Portsmouth, there are hopes that more parcels of it will be released and that additional waterside and maritime developments will result. The city is already taking advantage of its maritime heritage by providing a home for Nelson's flagship,HMS Victory, the Elizabethan warship, Mary Rose and, most recently, the Victorian ironclad battleship,HMS Warrior. Portsmouth harbour is also the base for an estimated 3,500 pleasure boats and this number will shortly increase with the completion of Port Solent, providing berths for further 1,000 vessels.

The waterside location has encouraged the building of over 400 associated homes with their own moorings. There is also a mixed development going ahead at Langstone and plans for a smaller one at Gosport.

At Waterlooville, just to the north of Portsmouth, Westerly Yachts, Britain's market leader, are adding a new production facility to their sail boat capacity in order to build motor yachts under licence and have established a new rigging and handover dock at Gosport.

Stuart Alexander

One of the crowning glories of early English architecture: the inside of Winchester cathedral.

Commercial property

Tightening market as development pressure tests planning curbs

WHEN THE big drum of the Hampshire Development Association began beating three years ago many thought that the success story it claimed was, to say the least, premature; some were unkind enough to say it was bogus.

Now not only the band has come into view but the procession of developers, industries and retailers that have turned the county from being part of rural central England into a part of the South-East.

Commercial property prices are rising, applications for more schemes continue to flood in, and the creation of a megalopolis Solent City, stretching along the main artery of the M27 between Southampton and Portsmouth, is very nearly a reality.

With the M3 providing the second engine of prosperity, the M25 offering inward rather than just escape links, and the four structure plans corseting areas in the north-east, central and south-west parts of the county, it would seem that a planning dream of remarkable, but controlled, success was coming true.

There are, however, some pressing problems to be resolved, if the success is to be maintained. For instance, there are 25 proposals at present for retail expansion and business parks along the M27 – and a careful watch is having to be kept on the balance of industry, as mid- and low-tech companies are threatened with being pushed aside by the whizz-bang hi-fliers of modern technology.

Some existing companies are finding it difficult to expand in south Hampshire, when faced with the higher rents demanded for new developments. There is a shortage of both small industrial units for seed companies and competitively-priced "sheds" for the metal-bashers and plastic pourers. It is the development demands of the retail sector, however, which have not just been following the pattern, but rather have been setting a pace for the rest of the country which has concentrated the minds of the planners and put the politicians in competition with the commercial sector.

Mr Alan Whitehead, leader of Southampton City Council, sees the intensifying pressure for out-of-town shopping developments as not just a parochial problem, but one of regional and national importance. He hopes his struggle to contain the problem will spark a national campaign of opposition.

Southampton has some "major fires" to fight on its doorstep and while the local authorities are pledged to stick together to preserve their rateable income, there are conspicuous examples of some breaking ranks. An enquiry has now opened into the development of a large Marks and Spencer store opposite a Tesco superstore at the slip road roundabout from the M27 for east Southampton. This is being opposed by the county council and Southampton, but supported by the local Eastleigh district council, even though that council has a town centre redevelopment project of its own and has previously supported the overall idea of halting out-of-town developments.

Two much larger schemes also highlight the battle being fought by the councils to preserve the city centres as natural focal points. On the west side of Southampton is a proposal by Taylor Woodrow to develop a 230-acre site alongside the M271 slip road with shops, offices, houses, cinema and a leisure complex.

This Adanac scheme, which would involve an investment of up to £150m is seen as a threat to the viability of four major schemes in the centre of Southampton designed to provide nearly 5m sq ft of new shopping space.

The developers say they have bent over backwards to comply with any objections. There would be no major food retailer, but department stores. The landscaping would be preserved and expanded, and the nearby Nursling Village would be spared traffic by the building of a new approach road.

They also deny that the development would be a kind of western "book end" to Solent City as their projections show shoppers being attracted from as far as away as 35-minutes drive – which takes in Romsey and further north, Salisbury in Wiltshire, and even some of the M27 towns.

But this has only made the county council more nervous, since there is the second very big proposal – the development of 350 acres, including extensive retail provision, at Whiteley, near junction nine of the M27 , which could draw on the same catchment area, plus also Eastleigh, Fareham and Portsmouth; it would become the pivotal centre of the Solent City complex.

The retail dimension of this development is also being opposed by the planning authorities though they have given enthusiastic blessing to the application from the DEC computer group to build a plant on the same site which is due to create some 2,500.

Because of the number of retail proposals, the M27 corridor, currently dominates the thinking of the planners above all the others areas in the county But expert commentators like John Vail, of the Vail Williams estate agency believes that there is bound to be a shake-out of some proposals while others go ahead. Mr Godfrey Winterson, managing director of estate agents,Fox and Sons, agrees. "Attention is currently focused on out-of-town retail schemes and little attention is being paid to their viability. If many of the plans succeed, retail schemes could saturate the market and some may not be successful."

Turning to the industrial and office markets, both men are agreed that the recent level of take-up in the area has left a shortage, however cyclical that may also be. "An acute shortage of accommodation is imminent," says Mr Winterson,"and it is likely to generate a rapid increase in industrial rents, particularly as investment in this sector is not currently favoured by the institutions." In the meantime, the going rate varies from £4 to £5.50 a sq ft.

The pressure cooker effect of putting the lid on developments in other parts of the county - 50 acres will be developed as a business park at Farnborough but nearly all the space in the Ancells development at Fleet has been taken up - coupled with depletion of office availability, particularly in constrained Winchester, has also given continuing high profile for the need to resolve the M3 completion/ Winchester by-pass dilemma.

The inquiry rumbles on, no-one can give a firm date for work to begin or be completed, and the bottleneck continues to be expensive and frustrating. Its removal will, with the extension of the A3M at the eastern end of the M27, when the Petersfield and Liphook by-passes are built, both provide a boost to the commercial property sector and bring an extra upward nudge to costs and values.

The rise and rise of the popularity of Basingstoke continues as more companies move in and ignore the predictions that, while the population may rise by another 9,000 to 148,000 in the next three years, there will also be a drop in the working population.

Stuart Alexander

Farming

Fundamental debate over countryside's future

A VISITOR cannot help but be impressed by the view from the car window of farming in Hampshire – a county which is still 80 per cent countryside in spite of its prosperous business image.

The overwhelming majority of farms and villages are well–kept and exude an air of prosperity. There are more sheep to be seen on the chalklands of the Downs than for many a long year.

The sight of so much oil seed rape at the time of the year when its mustard–yellow dominates the landscape may offend traditionalists. But, in fact, it is only a small proportion of the total farming mix in the county – less than 5 per cent of arable land – and, as a crop, is reckoned by Hampshire farmers to have reached a plateau as it can only be grown once every five or six years because of disease dangers.

This picture of rural contentment in one of Britain's richest farming areas is seductive, yet deceptive. The future of farming in Hampshire is a subject which is generating a lot of heat, and some light, among farmers, their organisation the National Farmers' Union (NFU), landowners, and the county planners.

As a community there is a strong desire in Hampshire for the county to remain in appearance recognisably as it is at present. But time is not standing still. Ths farmers themselves know that they face a future operating within the framework of the European Community's common agricultural policy (CAP) which could easily threaten some established features of Hampshire's agricultural ways.

Meanwhile, there is an immediate crisis to be dealt with. Mr Charles Hall, vice chairman of the county branch of the NFU, has been preoccupied, in common with many of his fellow farmers recently, with the devastation caused to Hampshire woodlands by the storm last October. His farm inclndes a designated Ancient Woodland. Four of his men have had to be taken off other tasks to work full–time clearing and removing fallen trees. The great wind of those few hours during the height of the storm caught the trees at their most vulnerable before they had shed their load of summer foliage.

The storm changed the face of Hampshire for generations to come. The county lost 500,000 trees that night,it is estimated.

Mr Hall points out that it is costing farmers and landowners about £50 to clear every mature wind-blown tree. Emergency grants through the Countryside Commission are being reserved for urban tree damage. Mr Hall does not expect to get more in government help than £2 for every tree he replants. And that will not be available until the re-planting is carried out. The farmers are finding thet the clearing-up after the storm is an abnormally heavy financial burden to bear from one natural happening.

The Hampshire county council has started a fundamental debate about the future of farming in the county. The planning department set the hall rolling last year with a discussion paper, The Future of Farming in Hampshire, written by one of its staff, Mr Vernon Hazel. Responses to that paper have now been published. To keep the discussion alive a series of annual conferences on Hampshire's rural strategy are planned. The first will take place in the Guildhall, Winchester, in September. The agenda will be wide-ranging, from agricultural buildings to noisy sports.

Mr Hazel believes that one of the biggest problems facing Hampshire in the future is the extent to which land may become surplus to farming requirements because of over-production. The land most at risk in the county, he says, would be on the urban fringes, on the poorer soils, and where farming presents special local problems. The thin chalk soils on which cereals are grown in Hampshire clearly would be vulnerable. The farmers of central Hampshire on these lands have been achieving good cereals yields with fertilisers. At the present time the name of the game is to cut fertiliser inputs because of the EC cereals surplus and slimmer prices. There is a limit beyond which the farmers cannot cut further, says Mr Hall speaking for his NFU members.

With Hampshire farmers producing more than 500,000 tonnes of cereals a year, storage and distribution has become an important factor in the pattern of farming in the county. The farmers have a cooperative, the Southern Counties Agricultural Trading Society, which acts as marketing agent for Hampshire Grain. That organisation is currently having problems finding new sites from which to process the cereals grown in the area.

While farmers are being urged to market their corn more efficiently they have only one centralised grain store in the county. It has a capacity of 30,000 tonnes a year, which means it can handle less than 10 per cent of the county's production.

The farmers, through their company, are looking for sites for more grain centres. So far they have looked at 70 southern sites and have tried to get planning permission for seven. Five of the applications have been turned down. The farmers do not think that such a response from the planners is in accord with a concerted effort to plan for ths future of a rural community.

The basic need for these centralised cereals processing plants is that they should form part of the chain between the Hampshire farmers and the role of the Hampshire port of Southampton as a big grain exporter to the world. The Southampton terminals export to Europe, Russia, the Middle East, and other world markets. But the perception of farming does not extend, in ths public mind at least, to such unlovely installations as centralised storage depots.

Another face of Hampshire farming is to be found along the southern coast. It is called the High Light helt because ths strength of light along the coestal strip is sufficient to bring on early glasshouse products in the spring. Ths growers specialise in flowers, strawberries, and salad crops. The mixture of smallholders and large-scale operators in this part of Hampshire gives a diversity to the overall picture. But they are under pressure from land developers looking for space for housing, industry, and shopping centres.

Some of the financial institutions got their figures burned following big investments in Hampshire farming land a few years ago when prices were at their peaks. The same institutions cannot now afford to get out because Hampshire land prices have *fallen from between £2,500-£3,000* an acre for good chalkland farms to between £1,500 and £1,700 an acre, though land prices are now starting to rise again, helped by a firm interest among private buyers for desirable country estates in the county.

Ths desire to be a country squire still runs deep in the English psyche – and such aspirants will put a place in Hampshire with a few acres near the top of their lists.

The county planners see it as a strength in the county agricultural scene that about half the present generation of farmers can be described as "part-time" in the sense that they havs other sources of income.

The county's discussion paper sums it up, "Hampshire has an above average proportion of large private estates and institutional and other landowners, many of whom have access to non-agricultural funds. These provide a degree of flexibility and independence which will help safeguard the county's agricultural industry at this time of uncertainty".

In short, money talks in rural Hampshire.

Roy Hodson

Tourism

'What a super place to be'

MR JOHN SLATER, of the Southern Tourist Board, estimates that tourists are spending in Hampshire at a rate of £600m a year and that the tourist industry now provides about 100,000 jobs in the county. In its impact upon the economy, tourism in Hampshire probably outstrips the invasion of high-tech industry, he says.

Moreover, a proportion of that high–tech industrial development which has brought new prosperity to parts of the county has in fact, says Mr Slater, been sold on the back of the idea, "Hampshire, what a super place to be".

Such attractions as the Downs, the New Forest, the city of Winchester, the stately homes, the country parks, the Solent as a yachting centre, sell themselves now that Hampshire is just 45 minutes drive down ths M3 from central London. Those core attractions, so convenient for London and Heathrow, ensure that the county has a high place on the tourist itineraries of many visitors to Britain.

Many more visitors to Hampshire *arrive from* the *London* area, in fact, than those who linger in the county after arriving in Portsmouth from France on the cross-Channel ferries. By and large visitors from the Continent see Hampshire as a gateway to Britain rather as a destination in itself. Thet is one attitude the professionals promoting tourism in Hampshire are hoping to change by skilful marketing.

But Mr Slater sounds a word of warning against any unbridled development of mass tourism in the county. "In Hampshire, we have to be careful that quality tourist development takes place. Ws must never allow development which would wreck what is, after all, a quality product.

The new facet being introduced into Hampshire's tourism industry now is the exploitation of the maritime, military, and defence history of the county, in particular around Southampton, Gosport, and Portsmouth. It all adds up to a "Defence of the Realm" image for Hampshire which is proving excellent for the tourist trade.

What has happened recently at Portsmouth illustrates the approach. When in 1981 the government's defence review announced that some 3,500 jobs were to go from the Royal Naval dockyard – it is now reduced to the status of naval base – Portsmouth council took a hard look at how the jobs could be replaced, and where the city should be going economically.

Mrs Sunny Crouch, the city's head of tourism explains, "We took note of the the government's own statistics that it costs just £4,000 to create one new job in tourism compared with £32,000 in manufacturing industry – and that directed our thinking from the start".

To sell Portsmouth afresh the old "product" of "Sunny Southsea" (the seafront district) was abandoned in favour of the grand-sounding slogan "Flagship of Maritime England". Portsmouth already had Nelson's flagship HMS Victory. The dockyard awaited (and largely still awaits) redevelopment as a heritage area. The entire Gosport and Portsmouth district is stiff with nineteenth century forts, arsenals, and cannon to fascinate military history buffs and young children alike.

By a *combination* of good fortune and skilled negotiating Portsmouth has now added two other priceless artifacts – the raised Tudor warship Mary Rose, which is now being restored in its own dry dock workshop, and the 1860 ironclad warship HMS Warrior, also restored and now permanently moored at a floating berth in the city centre. The decision to display Warrior was a big one for Portsmouth. The council has had to spend £1m to build a jetty for the ship.

Portsmouth's plan to become a national tourist centre appears to have achieved success within the first seven years. The city is claiming the highest hotel occupancy outside London and reckons that spending generated directly or indirectly by tourism is now benefitting the city to the tune of more than £200m a year. Tourism has now established itself as the largest single sector of Portsmouth's economy.

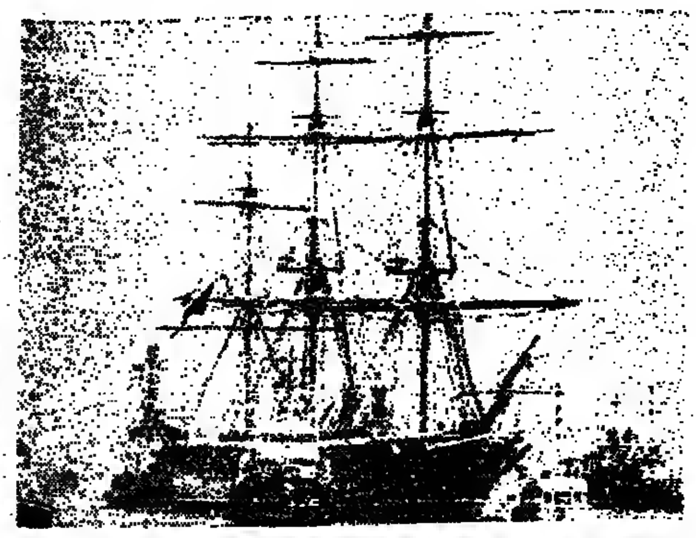
Southampton has lost its great liners and its passenger ferry trade hnt is turning those old misfortunes to profit. The docks and waterfront areas are being *rapidly transformed into attractive* centres for visitors spiced with the tang of the sea at new yacht harbours. An old customs shed for the transatlantic liners is now a shopping hall called Ocean Village.

Although the Hampshire coastal stretch between Southampton and Portsmouth is now a big urban area, there are many parts of the actual coastline which have not been developed – or which may be prised back from the Ministry of Defence given time.

The county plan insists that the open coast of Hampshire should be protected and that other development affecting the coast should be carefully controlled to safegnard landscape or nature conservation interests. The coastal town of Gosport complains that the MoD has left it with a legacy of "tat" which is having to be cleared. But Gosport has no doubt that it can make itself an attractive venne for visitors interested in the history of defence and the Services.

At present the town is trying to persuade the ministry to restore some gunboat sheds which ere listed as a scheduled ancient monument, and which have a part in the history of the Royal Navy, but which have been allowed to fall into a ruinous state.

About half of the Hampshire coastline is still undeveloped and, in the county council's view, worth conserving. In 1979, with financial assistance from the Countryside Commission, the county council acquired some 300 acres of marshland west of Lymington as a coastal nature reserve. The council now owns and manages for natural conservation and informal recreation some 1200 acres along the coast. The nature reserves have become very important and there are also several sites of special scientific interest. As other British feeding grounds for birds and weterfowl have been destroyed, the Hampshire conserved areas have become more important, and a growing attraction to nature lovers. The county reckons to have now about 24,000 acres of tidal mudflats and coastal marshes where birds winter.



Latest addition to Hampshire's rich maritime attractions: the Victorian ironclad warship, HMS Warrior, returning to Portsmouth last year after a £6m restoration

The county's tourist slogan is Enjoy Hampshire. It has set up a special marketing unit to see that visitors do just that. Looking more to the countryside than Solent yacht racing or the military splendours of the Hampshire coast, the county council is encouraging such projects as a farm museum on the upper Hamble. The museum is kept as a working traditional farm complete with livestock. There are shire horses. There are sheep. Threshing is carried out in the traditional way, and there is instruction in such minority pursuits as butter sculpture, goat milking, and cheese–making.

A wave of hotel construction is taking place in Hampshire along the motorway network and in the cities. It has been prompted by the rising numbers of tourists and their seemingly inexhaustable demand for week-day business and conference facilities. The county is going to be well-served with up-market hotels. The tourism managers are now pressing for more "plain deal hotels", as one put it.

He meant hotels designed for short family stays, sited on or near the motorways and trunk roads and charging no more than £25 e night. That is e sector of the market, *so far* rather neglected, which is expected to become important if Hampshire is to support larger numbers of tourists.

Roy Hodson

WEST GERMAN BANKING

Bundesbank chafes at Cooke report

Haig Simonian on reactions to a common definition of capital

NEW RULES about capital ratios, securitisation and off-balance-sheet risks mean that officials at the Bundesbank, like their counterparts elsewhere in Europe, have been burning the midnight oil of late.

However, the West German central bank's supervisory staff has probably been putting in longer hours than most. For the Bundesbank is opposed to many aspects of the draft document prepared last December by the Committee on Banking Regulations and Supervisory Practices (or Cooke Committee), set up by the Group of Ten and Switzerland, on a common definition of capital.

At a meeting on March 16–17 in Berlin, the Bundesbank, the Bundesaufsichtsamt für das Kreditwesen (Federal Banking Supervisory Authority) and representatives of commercial banks will discuss the Bundesbank's objections. If the central bank's view is upheld, the Cooke Committee's next session at the end of April could be difficult. On the other hand, approval by the other German participants of the Cooke draft would undercut the Bundesbank's position.

Objections highly detailed

No one at the Bundesbank is talking about blocking the painstaking work done by the Cooke Committee so far to try to bolster banks' capital resources and harmonise different international standards. But the Germans intend to do all they can to obtain a more acceptable way of going about the job.

They are particularly determined for two reasons. First, the Bundesbank is already involved in amending its domestic guidelines for new instruments. The Cooke Committee's draft partly overlaps with the discussions currently taking place within Germany on altering the key Principles 1 and 1a of Section 10 and 10a of the country's Banking Act, which limit banks' total assets to a multiple of 18 times their capital.

Second, the whole question will take on a European dimension once the European Commission in Brussels presents its long-awaited draft directive on bank solvency ratios, designed to harmonise capital adequacy requirements throughout the Community. According to Bundesbank officials, that legislation could pass into German law within the next five years.

The Bundesbank's objections to the Cooke Committee's recommendations are highly detailed. In a nutshell, it argues that the definition of core capital is too weak compared with the much stricter German version.

Only retained profits and shareholder funds are accepted as capital in Germany, whereas the Cooke draft says these "core" elements need account for only 50 per cent of total capital.

Even less satisfactory for the Bundesbank are the factors making up the second half of capital as defined by the Cooke Committee.

These involve a mixed bag of "supplementary capital elements," such as hidden reserves, revaluation reserves, general provisions and general loan loss reserves and certain other capital instruments.

"The easiest way to harmonise is to go to the lowest common denominator," says one senior Bundesbank official. "The Committee has achieved harmonisation, but in our view, they didn't manage the second aim of boosting capital."

The Germans argue that the proposed target of an 8 per cent *minimum ratio of bank capital* to weighted risk assets "will be neutral in its effect on competition in all banking systems only if a differentiated (ie lower) minimum ratio is envisaged for countries with a narrow concept of capital." First among those is Germany.

Thus the 8 per cent standard is acceptable if using a strict definition of core capital. Alternatively, if capital is to be "watered down," then banks in countries which have the purest definition of capital should be allowed to observe a lower ratio, says the Bundesbank.

The problem is that many of the elements comprising the second half of the Cooke Committee's capital definition are widely accepted in other parts of the world. Revaluation reserves are particularly important in Japan, general provisions count as part of banks' capital in France, while US and UK banks are known to have generally lower provisions than continental European counterparts.

●Hidden reserves, the first of the supplementary elements, causes the least problems: the Germans simply think it would be better to have all such reserves out in the open. The dispute "is more a question of philosophy," according to one Bundesbank official, as long as such accumulated after-tax reserves are not constrained by any liabilities and are readily available to meet unforeseen losses.

●Revaluation reserves are much trickier. The Bundesbank is uneasy with the idea of including potentially volatile items — such as participations and securities — in any definition of capital. Apart from the obvious problem of liquidity, last October's sudden collapse in share values has added force to its argument.

The Germans say that even the proposed 55 per cent discount on such items is inadequate and oppose the incorporation of fixed assets like banks' premises in revaluation reserves. "The 55 per cent discount doesn't even account for the German tax burden on profits," notes one official. "How can you compare untaxed reserves with the after-tax profits used for capital in Germany?"

●Provisions form the touchiest area of all. While there are clear rules in Germany for the treatment of dubious loans — including attractive tax incentives, which helps to explain why German banks' provisions are generally higher than their foreign rivals" — that is by no means the case elsewhere.

Bundesbank officials take care not to criticise other countries' provisioning rules. They simply argue that international differences are so great that there must be some way of adjusting the Cooke Committee's recommended capital standard more fairly to distinguish between banks that are generously, and those that are relatively poorly, provisioned.

The Germans are also uneasy about certain recommendations on the risk side, the most important of which is how to treat mortgages. Germany has a complex and highly regarded form of securitised mortgage, the *Pfandbrief*, where strict standards have to be observed.

"The Cooke draft does not take adequate account of the special character of the German system," says one official. He argues that the proposal for preferential treatment for housing loans to individuals should be extended to include *Pfandbriefe*, irrespective of borrower.

The Berlin meeting will set the immediate tone for how the German authorities proceed. Obviously, the Bundesbank will be looking for changes in the Cooke report. How much it can achieve at this late stage and how it will react if its demands are not met, remain unclear.

Privately, officials doubt that the central bank would turn the document down outright, whatever happens. Many of the draft's suggestions are likely to be taken up in the coming domestic proposals on new instruments. In this respect, the Germans have lagged behind the work already done by the joint US Federal Reserve-Bank of England team.

Reaction to the Cooke draft may also be affected by questions of domestic timing. With so much work under way in Basle and Brussels, German bankers have pressed the Bundesbank to wait until the European Commission completes its own new capital standards, rather than push ahead with a change in domestic banking law. Once drawn up as a Directive, the new EC rules could then simply pass into German law.

Questions of domestic timing

However, the Bundesbank says it cannot afford to wait that long in view of the importance of the issues at stake.

Matters are further complicated by the fact that the German definition of "own capital" is written into law and any change, whether inspired from home or abroad, would have to be approved by the Bundestag.

Persuading German banks to adopt the new standards on a voluntary basis is the likeliest first step. One probable outcome of the Berlin meeting will be for the supervisory authority to recommend banks to prepare parallel accounts in line with the Cooke proposals — though it is not clear what degree of compulsion will be involved.

Which way the Bundesbank itself will jump remains to be seen. While unlikely to turn down the Cooke Committee's proposals out of hand, international regulators preparing for their next meeting in April might do well to prepare for a rough ride.

FT LAW REPORTS

No compound interest for creditor bank

NATIONAL BANK OF GREECE SA v PINIOS SHIPPING CO NO 1
Court of Appeal
(Lord Justice O'Connor, Lord Justice Lloyd and Lord Justice Nicholls):
March 2 1988

A BANK owes no legally imposed contractual duty of care nor any duty in tort to ensure that the manager of a mortgaged vessel, appointed to protect the bank's and shipowner's interests as mortgagee and mortgagor respectively, carries out his obligation to keep her fully insured. And where, on the bank's demand for repayment of the mortgage debt, the bank/customer relationship ceases and is replaced by one of creditor and debtor, it cannot thereafter charge compound interest in the absence of express or implied agreement or binding custom.

The Court of Appeal so held when allowing an appeal by Pinios Shipping Co No 1, from Mr Justice Leggatt's decision that the plaintiff, National Bank of Greece SA, was entitled to compound interest on an unpaid mortgage debt; and dismissing its appeal, on its counterclaim, from the judge's decision that the bank owed it no duty to see that managers fully insured the mortgaged vessel.

LORD JUSTICE LLOYD said that the Maira was built in Japan under a shipbuilding contract.

Thirty per cent of the price was payable on or before delivery. Seventy per cent was deferred. It was secured by a first preferred mortgage in favour of the builders, and by 14 promissory notes signed by Pinios as shipowner, payable at six monthly intervals. The first six promissory notes were guaranteed by the bank. The bank was secured by a second preferred mortgage.

The ship was delivered on February 9 1977. The first promissory note was dishonoured. The bank paid under its guarantee and debited Pinios. It could have declared Pinios in default, but instead it entered into a tripartite agreement with Pinios and a company called Glafki Shipping.

Glafki was appointed sole and exclusive agent, subject to the bank's directions, to manage and conduct the vessel's activities in the best interests of Pinios and the bank.

Under the second preferred mortgage it was Pinios's obligation to insure the vessel for not less than 130 per cent of the total amount secured. Under the management agreement it became Glafki's duty to place all insurances in accordance with the mortgage terms.

Glafki renewed the insurance on April 1 1978. It worked out at less than 130 per cent of the total amount due under both mortgages. On April 10 the vessel became a total loss. The insurance proceeds were insufficient to enable Pinios to repay the bank.

Pinios claimed damages against Glafki for breach of its duty under the management agreement. It was successful in the Court of Appeal and House of Lords (*[1985] 1 Lloyd's Rep 300; [1986] 2 Lloyd's Rep 12*), but Glafki failed or refused to pay.

On November 13 1978 the bank wrote to Pinios demanding payment. It issued a writ claiming $598,109 plus interest. Pinios counterclaimed for what it had failed to recover from Glafki.

On January 29 1987 Mr Justice Leggatt gave judgment in favour of the bank, including $2,118,213 compound interest. Pinios appealed.

Mr Hamilton for Pinios submitted that the bank was under a duty of care to see that Glafki did not under-insure the vessel. He contended that the law imposed a contractual duty of care, irrespective of what the parties had agreed.

He submitted first, that the relationship between the parties was such that the law imposed a generalised duty of care; second, that the law imposed a duty of care arising out of the particular facts, in that the bank actively intervened in arranging the insurance. When the court implied a term in a contract it was sometimes laying down a general rule for all contracts of a certain type. The test was one of "necessity"(see *Liverpool City Council [1977] AC 239* and *Tai Hing [1986] 1 AC 80*). But sometimes the court was rectifying a particular contract by inserting a term, in which case it must be "necessary" to give "business efficacy" to the contract (see *Liverpool City Council*).

The present case was a one-off contract between three parties for a particular purpose, and did not fit into a defined type. Even if it had done, there was no necessity to imply a duty of care on the bank in relation to the insurance.

As to whether the bank intervened in procuring the insurance, the judge found that when the insurance was renewed, the bank "knew and approved of what was done". He meant no more than that it did not disapprove, or that it acquiesced. The words fell short of a finding of active intervention.

Pinios failed to establish a generalised duty applying to all contracts of the present type, or a duty arising on the particular facts.

Mr Hamilton argued that if he failed in contract he was entitled to succeed in tort.

In a large number of cases it always was, and might still be, possible to sue either in contract or tort. But it had never been the law that a plaintiff who had the choice of suing in either, could fail in contract yet succeed in tort. If the contract and tort were in different fields the same result would not follow, but that was not this case.

The next question was whether Mr Justice Leggatt was right to award compound interest to date of judgment.

There was no express agreement in the mortgage to pay compound intarest. As to whether there was implied agreement, the principle in *Fergusson v Fyffe (1840) 8 Clark & Fin 121* was that "generally . . . compound interest is not available . . . except perhaps as to mercantile accounts current for mutual transactions."

The corollary of that rule was that once the account had ceased to be a "mercantile account current for mutual transactions" – in other words, once it had been closed and the banker/customer relationship brought to an end – the bank was entitled to simple interest only.

In *Deutsche Bank (1931) 4 Legal Decisions Affecting Bankers 293* Lord Justice Romer said compound interest was unjustified "after the mercantile account current for mutual transactions had been closed and the relations between the parties had become merely that of creditor and debtor."

Mr Hamilton conceded that before November 13 1978, when the bank demanded payment, Pinios had acquiesced in the charging of compound interest. If so, an agreement to pay compound interest could be implied. The question was whether the acquiescence continued beyond November 13 1978.

The court was told that once the bank demanded payment it ceased to send bank statements. So far as the court knew, there were no statements for eight years. It would not be right to infer that Pinios knew it was being charged compound interest. Without knowledge there could be no continuing acquiescence.

The only possible inference was that the bank/customer relationship ceased when the bank demanded payment. The account was then closed. The relationship became that of creditor and debtor. Payments were made into the account after November 13, but were consistent with reduction of the mortgage debt. They did not show a continuing banker/customer relationship.

After November 13 1978 the bank was entitled to simple interest only. There was no right of compound interest save by agreement, express or implied, or by custom binding on the parties. Agreement to pay compound interest might be implied by acquiescence, but was not normally implied except as to "mercantile accounts current for mntual transactions"(*Deutsche Bank*).

Mr Pickering for the bank said the decision would cause dismay and consternation among banks.

If so, the remedy lay in their own hands. They could make express provision for compound interest in their contracts. Since the repeal of the Usury Acts in 1854 there had been nothing to stop them. Maybe they had not done so because, as Lord Atkins observed in *Paton [1938] AC 341,347* "the system adopted by the banks . . . is for the purpose of giving them compound interest withont perhaps flaunting that fact before their customers."

The appeal was allowed on the compound interest point, but dismissed on the duty of care point.

Lord Justice O'Connor and Lord Justice Nicholls gave concurring judgments.

For Pinios: Adrian Hamilton QC and Geraldine Andrews (Elborne Mitchell)
For the bank: Murray Pickering QC and David Owen (Thomas Cooper & Stibbard)

CORRECTION: In *Sumitomo Bank v Rabobank, FT March 8 1988*, the appeal was from Mr Justice Gatehouse, not Mr Justice Leggatt as stated.

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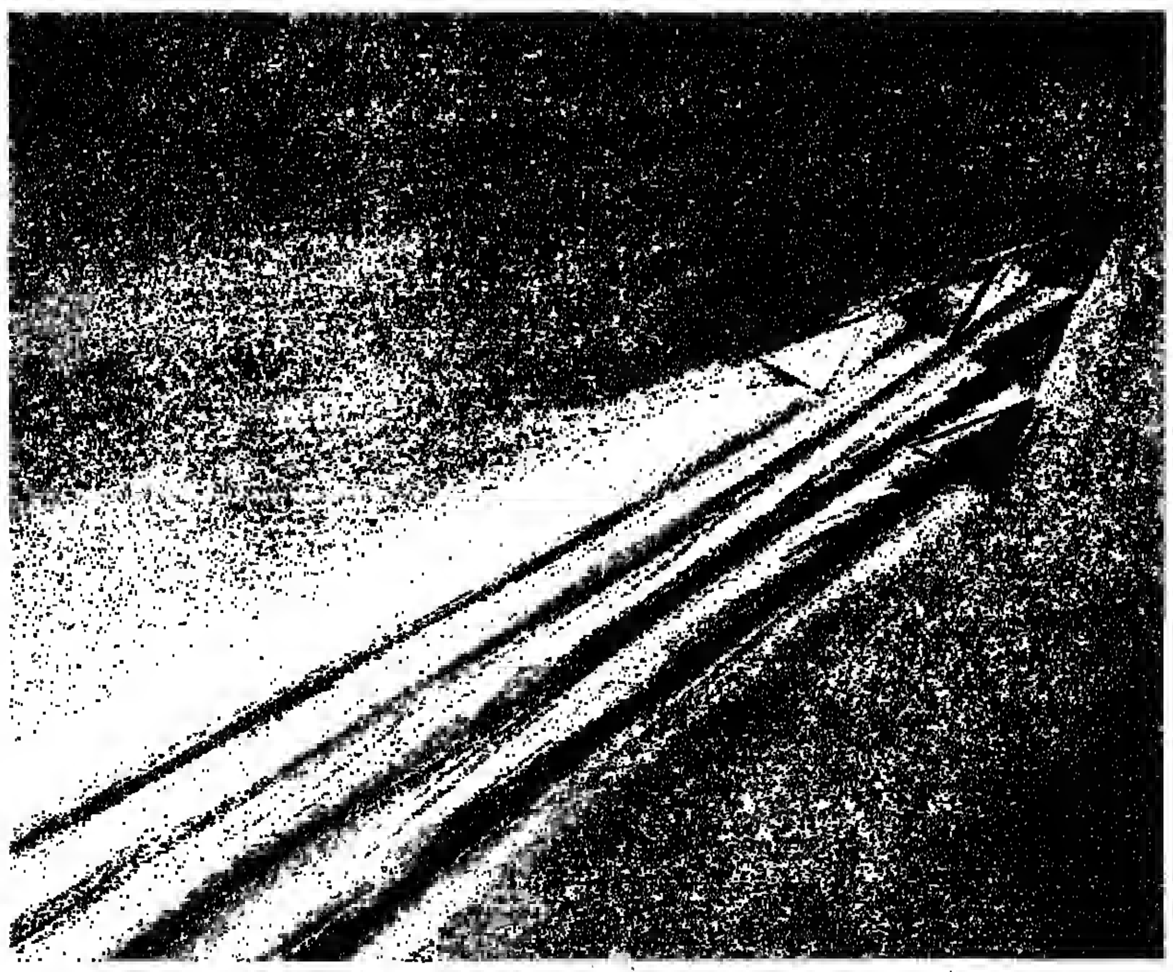
Rachel Davies
Barrister



Company Notices

NOTICE OF PREPAYMENT

US$ 75,000,000
Bergen Bank A/S
$11\frac{1}{2}$% Deposit Notes due 1990

Pursuant to paragraph "Redemption and Purchase" of the description of the Deposit Notes, notice is hereby given that Bergen Bank A/S will prepay at par on April 15, 1988, the total amount remaining outstanding of the above-mentioned Deposit Notes.

Payment of interest due on April 15, 1988 and reimbursement of principal will be made in accordance with the description of the Deposit Notes.

Interest shall cease to accrue on the Deposit Notes as from April 15, 1988.

Luxembourg, March 15, 1988
THE FISCAL AGENT
KREDIETBANK
S.A. LUXEMBOURGEOISE

NM INCOME & GROWTH FUND
SICAV
2, boulevard Royal
2953 LUXEMBOURG
R.C. LUXEMBOURG
DIVIDEND ANNOUNCEMENT

The NM Income & Growth Fund will pay a dividend of US$ 0.05 on March 18, 1988 and shares will be traded ex-dividend after March 4, 1988.

The dividend is payable to holders of bearer shares against presentation of coupon No.2 to
BANQUE INTERNATIONALE A LUXEMBOURG
2, Boulevard Royal
L - 2953 LUXEMBOURG
The Board of Directors

MANAGEMENT: Small Business

UK job creation

Too many odd-jobbers and hairdressers

This year's recipients of the enterprise allowance push last year's out of the market. Ian Hamilton Fazey reports from Hartlepool

THE ENTERPRISE Allowance Scheme (EAS) helps the unemployed into self-employment with a £40 a week state subsidy for a year. It starts with potential participants attending an "awareness day" where people are taught the rudimentary facts of small business life.

Alan Humble, director of Hartlepool Enterprise Agency, runs awareness days for the Manpower Services Commission. He always starts with a round of introductions and business ideas. He takes up the story:

"There were about 20 of us sitting around a square of tables and the first chap said: 'I'm Jack and I'm going to start up as an odd-job builder.' The next chap looked at him a bit quizzically and said: 'I'm Fred and I'm going to do that too.'

"'Yeah mon, well I'm Colin and I'm going into that trade as well,' said the next man. I began to dread what was coming next and sure enough the fourth man was going to do the same.

"By the time we got to the sixth man – and he too was going to become a self-employed odd-jobber – well, the absurdity of it all had struck home. Fortunately, that wonderful ability to laugh in the face of adversity took over and everybody collapsed in mirth. Unfortunately, it's not something we should laugh about."

Six in one day is a rarity, as Humble's records show, but three or four people aiming to work as freelance labourers or semi-skilled building workers are not. With unemployed women, the most favoured trade is that of mobile hairdresser.

Not all people who attend awareness days start up a small business. Out of every 30 who inquire at local JobCentres about the EAS, only 20 will turn up at an awareness day anyway and usually only half of those will end up on the scheme.

However, this does not mean that people who are going to crowd into already-crowded little market segments will see the dangers. At the Cleveland Youth Business Centre in Middlesbrough, Mike Reaney says: "People on EAS often run out of customers after the first three or four months.

Alan Humble: "The vast majority look to the EAS to escape unemployment or because they cannot think of anything else to do . . . they are seduced by the advertising and don't understand the implications"

"They have sold to their relatives, friends and neighbours and do not know where to go for the next sale. It's a common problem. People rush in without thinking about their market before they start."

An excess of mobile hairdressers and odd-jobbers is his experience too. While he and Humble agree that the EAS is invaluable in helping some people into self-employment, those most able to succeed have now, largely, done so. Another dynamic is beginning to operate, as follows:

An unskilled, unemployed person finally turns to the EAS in desperation, sets up in a locally saturated market of window cleaners, semi-skilled plumbers, odd-jobbers, hairdressers or the like, and uses the £40 a week to undercut and knock out some of the opposition, usually last year's EAS hopefuls.

A year later, a new wave of subsidised self-employed will be wiping him or her out in turn – if they have lasted that long.

Reaney says: "If we are interested in net job creation, we don't really want to be helping to put the 500th mobile hairdresser into business so that they can knock out of the market someone whose £40 a week subsidy has now finished."

John Smith, chairman of Hartlepool Enterprise Agency, agrees. He is a successful architect now, but says he will never forget the dry-mouthed scramble of his early days to earn the money for his employees' wages.

He has a graphic description of people in small business. "They are the white knuckle brigade who stand before the bank manager with their houses on the line," he says. He does not think it is part of anyone's job to encourage people to join this brigade if they are not made of the right stuff to thrive rather than survive.

Humble adds: "The vast majority here now look to the EAS out of desperation to escape unemployment or because they cannot think of anything else to do. Some are seduced by the advertising and the hype and don't understand the implications.

"We run the awareness days to make them as aware of us as anything else. At least if they start up in business they will know where to come for advice and help if they run into trouble."

However, as the general economy recovers, does all this really matter? Are people really harmed? They probably take little risk and by the time they drop back into unemployment, might there not be jobs on offer?

A great deal of the answer lies in where people live. Hartlepool is about three miles from top to bottom and two miles from side to side. It is a self-contained urban island, separated from the rest of Cleveland county by a cordon of green belt, which hems it up against the North Sea to the east.

Here, the role of small, emergent businesses in restructuring a local economy is being put to the test. Of Hartlepool's 93,000 people, about 45,000 are of working age.

Steel, shipbuilding and engineering once provided full employment in big businesses, so when calamity struck, the effect was devastating; Hartlepool lost about 25,000 jobs through plant closures in less than a generation.

Its enterprise zone was one of the first 11 designated in Britain in 1980. The effort to replace lost jobs has been prodigious. According to the borough council, which now lists 400 businesses on its commercial register, about 30 per cent of the workforce now relies on small businesses for their livelihoods.

A saw-sharpening business situated in Hartlepool Workshops: 30 per cent of the Hartlepool workforce rely on small businesses for their livelihoods

However, the unemployed still number about 8,300, a rate of 20.5 per cent. That hides a startling differential – the male rate is 26.8 per cent and the female rate 11.4. Many of the new jobs have been worth £2 a hour and only women have been interested. Escaping this is what motivates many EAS hopefuls.

It has also forced the enterprise agency to take a rather broader view than most of job creation. Humble believes he has to be at least as concerned with inward investment as with indigenous start-ups from within the community. He serves on an informal joint committee of private and public sectors to pursue it.

His and Smith's view is that what small businesses need are local buyers for their goods and services - usually in medium-sized or bigger businesses - in order to develop and grow. If big employers go – as they did in Hartlepool – then a mushrooming of small businesses cannot in itself create an interdependent, business-to-business trading economy. The EAS becomes a cosmetic irrelevance.

The enterprise zone, coupled with regional development grants, low rentals and other attractions have been far more vital weapons in restructuring. There were 41 businesses in the zone in 1981 employing 299. This had risen to 101 five years later, with numbers employed up 2,800. Last year, 34 more businesses moved in.

Unfortunately, the town has run out of new sizeable factory space to attract more. There is space for small businesses needing less than 5,000 sq ft, but such businesses have to be generated from within the community.

Getting the industrial infrastructure right – a balanced mixture of large, medium and small – is seen as the key both to general stability and to creating the right environment for small business survival.

The question now is whether the restructuring will be sustained with regional development grant abolished, with the enterprise zone approaching the end of its ten-year life, and with new factory supply being left increasingly to market forces.

Is there enough momentum? Small wonder perhaps that Humble and his colleagues themselves have the worried look of the white knuckle hrigade about them.

Audits

Small cost - but heated debate

BY RICHARD WATERS

THE ARRIVAL of new management at the Department of Trade and Industry has given fresh impetus to an old campaign: to relieve small companies of the requirement to employ auditors every year for what many see as a costly rubber-stamping exercise.

Abolishing the audit was an issue raised by the DTI three years ago, but dropped after protest from the Inland Revenue, banks and others who claim to rely on auditors' reports. The argument between the Revenne and DTI is now reported to be raging again, though official comment is subdued; the DTI admits that the abolition of the audit is constantly under review, while the Revenue says only that it has not altered its commitment to the audit requirement.

Auditing is not the most costly burden on businesses. Each of the country's 900,000-odd small companies pays between £350 and £750 for an audit, estimates Count Alexander Bathory, managing director of Trade Indemnity Credit Corporation, a subsidiary of the UK's largest credit insurers. The bulk of the cost very often represents fees paid to auditors to draw up the accounts in the first place, rather than auditing them.

Bathory, and others in the credit rating and insurance business, are unhappy about the prospect of losing the assurance an audit gives to figures which are the basic tools of their trade. The cost is small given the assurance provided, they say. And the benefit to a business of having a second, professional eye cast over its figures is often worth much more than the fees involved.

Ironically, much of the pressure for getting rid of the audit requirment comes from accountants. According to Martyn Jones, a partner with Tonche Ross, losing the statutory audit would not be bad for business: "We believe the vast majority of small companies would still use accountants like ouselves. At the very least they would still need to file tax computations with the Inland Revenue, and they need to be done professionally. It would still give us a foot in the door."

Smaller firms of accountants, which rely on small company audits for a larger share of their income, may feel differently. However, the Institute of Chartered Accountants in England and Wales has put itself firmly in the abolition camp, despite the possible impact on the business of many of its members.

But while the various interest groups are dusting off arguments first raised two years ago, the real power struggle is going on behind closed doors between the DTI and the Revenue. It is the resolution of this dispute that will determine the audit requirement for small companies.

In brief. . .

ONCE THE small business owner has overcome his traditional reluctance to train either himself or his staff he is faced with a bewildering variety of training schemes.

To help overcome this problem for small companies in south London the Training Resource Centre has been set up. The centre, which will be officially opened by small firms minister John Cope tomorrow, helps companies identify what their training needs are and provides information on courses and grants available.

It has already persuaded a local polytechnic to establish a one-day course in customer relations for a group of companies which wanted to improve the skills of staff dealing with clients.

The centre has the backing of the boroughs of Wandsworth, Southwark and Lambeth, the Manpower Services Commission and ILEA.

South London Training Resource Centre, Manor House, 58 Clapham Common Northside, London SW4 9BR. Tel- 01 350 0759.

●

A ONE-DAY seminar entitled Innovation – Making Money from New Ideas will be held at St Johns Innovation Centre in Cambridge on March 30.

Contact: Ian Quayle, Quayle Davison and Partners. Tel 0223 341135.

●

MORE THAN 200 new worker co-operatives were formed in Britain in 1987, according to the Industrial Common Ownership Movement, the co-op's national federation. This number was slightly down on 1986, mainly because of a 50 per cent fall in the number formed in London but this was still the fifth year in which new starts topped 200.

Favourite sectors for the creation of co-ops were building, property management, printing and engineering with areas of industrial decline such as Wolverhampton, Middlesbrough and Sunderland proving particularly active.

A Beginner's Pack on starting a co-op is available from ICOM, price £1.30.

Contact: ICOM, Vassalli House, 20 Central Road, Leeds LS1 6DE. Tel 0532 461738.

●

THE RUNNING of two of the Government's Enterprise Initiative schemes – those covering business planning and financial and information systems – is to be handled by 3i (Investors in Industry), the venture capital group.

3i Enterprise Snpport, a newly-created subsidiary, will select consultants to operate the schemes and allocate consultants to a particular company.

The two new schemes, which come into operation next month, will help small and medium sized businesses - employing up to 500 people – with half the cost of five to 15 days' worth of consultancy, two-thirds in assisted areas.

3i Enterprise Snpport will set up offices in Cardiff, Glasgow, Guildford, Leeds and Solihull in or alongside existing 3i offices but with separate staffs. It may allocate up to 2.5 per cent of the schemes to 3i's own consultancy organisation but must place the rest with independent consultants.

3i will computerise details of the consultancy work being carried ont because of the large numbers of small contracts involved, said Nigel Olsen, chairman of Enterprise Support. It expects to announce details of the first contracts during April.

Consultants interested in being listed for work should contact Ted Barker, 3i Enterprise Support, 91 Waterloo Road, London SE1 8XP.

Business Opportunities

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

Businesses For Sale

Lazard Brothers & Co., Limited
has been appointed by
British Railways Board
to invite offers
for the whole of the
issued share capital of

Horwich Foundry Limited
formerly
the Horwich foundry works of
British Rail Engineering Limited

For further information please contact:
Lazard Brothers & Co., Limited
21 Moorfields, London EC2P 2HT
Telephone: (01) 588 2721
(Mr. M. J. Roberts or Mr. G. Banfi)

TRAINING/HUMAN RESOURCES
Major City - North West

Due to planned change in Corporate direction. Established Company For Sale engaged in Training/Human Resources. Good profit record with several valuable contracts offering excellent potential for further development.
The Company is ideally suited for integration into either an organisation currently operating in the Human Resources Industry or into a PLC looking for an opportunity to diversify.
Price Guide - £750,000
All enquiries - Box H3191, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE - PETROL FILLING STATION

Busy Main Road position - long track record of growth. Current average gallonage 17,000 per week, long leasehold, considerable premium, short tie, ancilliary activities on site, South East Essex - Price: Goodwill F & F Lease £750,000 plus Stock at valuation.
Principals only - Reply Box H3178, Financial Times, 10 Cannon Street, London EC4P 4BY

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CORRUGATED PACKAGING MANUFACTURER

Highly profitable - Well established - South East location
Excellently equipped and efficient sheet plant. Modern freehold factory of approx. 25,000 sq. ft. Serves large customer base, principally, with Corrugated Packaging.
Current turnover £3.5m +. Very substantial pre-tax profits.
Outstanding potential.
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D MARRIOTT FCA
MARRIOTT SECURITIES LTD
21 Gloucester Gardens, London NW11 9AB
Tel: 01-458 8387
Fax: 01-209 0927

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Opportunity to acquire developer's interest in a new, unique, low cost interactive display system.
Initial sales have been achieved with a leading estate agency business. With further estate agency enquiries received, however, this system's potential spreads far beyond this field.
Interested parties should Write Box H3212, Financial Times, 10 Cannon Street, London, EC4P 4BY

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with worldwide business invites international financial institutions for discussions on equity involvement. Principals only need apply
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£40,000 + SAV
for further particulars phone Mr Bolton on 0494 722945

Very profitable engineering business with a manufacturing capability situated in the West, selling established products to existing markets in the UK, USA and Europe. Approximately 20 employees and annual turnover of just under £1 million with immediate opportunities to increase this.
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Financial Times, 10 Cannon Street, London, EC4P 4BY

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Attractive Restaurant (48 covers) inc walled garden. Pavement drinks area. Superb living accommodation plus double garage and stores. Impressive Georgian style building in good location. Freehold £145,000 ono.
Details Write Box H3249, Financial Times, 10 Cannon Street, London, EC4P 4BY

Home Delivery Pizza
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1 trading and 2 non trading branches in central London.
Write Box H3219, Financial Times, 10 Cannon Street, London, EC4P 4BY

Compact specialised boatyard/assets, South Coast
Part freehold, part leasehold (50 years). Yard/foreshore total approx 25,000 sq ft. Operational slipway for 150 tons x 150ft max. Modern workshop/offices. Inclusive £330,000.
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LEASING/DEALING BUSINESS FOR SALE
Long established, London based piano company T/O £500,000 + interesting niche opportunity - no longer fits in with activities of parent company.
Write Box H3220, Financial Times, 10 Cannon Street, London EC4P 4BY

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Turnover £150,000; Net Profit £20,000; would suit family wishing to run their own business. Further details from:
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Starred Top Quality.
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T/O £750,000+
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Financial Services and Insurance Brokers
Income £270,000. Profitable.
North of England.
Details from
Box H3239, Financial Times, 10 Cannon Street, London EC4P 4BY

EMPLOYMENT AGENCY SOUTH HAMPSHIRE
Established agency with management, specialising in computing and electronics. Town centre premises in excellent and rapidly expanding location. Extensive contact lists. Sale due to other commitments.
Write Box H3217, Financial Times, 10 Cannon Street, London EC4P 4BY

East Anglia
Engineering Business
Established Since 1949
Turnover in the region of £1m
Adjusted Pre tax Profits £130,000
Write Box H3240
Financial Times, 10 Cannon Street, London, EC4P 4BY

For Sale
Housebuilder and Contracting Company

The company is principally engaged in contracting and development, including new house building and the renovation and modernisation of properties for local authorities and housing associations in the Midlands.
- Turnover year to 31 March 1987 £5.4 million;
- Substantial orders on hand;
- Approved contractor status.

For further details contact: Mr. A. G. Betts or Mr. S. Gledhill.

Touche Ross
Kensington House, 136 Suffolk Street Queensway, Birmingham B1 1LL. Tel: 021-631-2288.
Tlx: 338876 TRBHAM G. Fax: 021-631-4512.

Manufacturing Opportunity - U.S.A.

Due to family commitments, an outstanding opportunity exists to purchase a UK-owned privately-held U.S. company operating in a specialist area of the U.S. textile industry.

Situated close to the Atlantic Seaboard, the company has shown a remarkable expansion record over the last five years in both sales and profit growth. Turnover is in excess of $11 million and pre-tax R.O.I. exceeds 40%.

Major capital investment in the most modern manufacturing equipment has been undertaken during the period and the company has established itself as a market leader in certain sectors of its product range. Future growth potential is outstanding.

Seriously interested parties should apply to: Box H3208, Financial Times, 10 Cannon Street, London EC4P 4BY.

FOR SALE
RIGHTS TO HAND-HELD RADIO-LINKED ON-LINE COMPUTER TERMINAL

Our hand-held Radio-linked computer terminal provides an On-line Real-Time Portable link to any RS232 port on a central computer.
This product does not fit in with the rest of our business activities and we are therefore interested in selling or licencing the rights to the product a company which is better able to exploit its potential.
Any potential purchaser would probably be involved in the manufacture of computer equipment and would require the expertise to program in Z80 Assembler.
Write Box H3187, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE
2 MOTOR DEALERSHIPS
EAST MIDLANDS, TURNOVER APPROX. £4M

Leading European and quality Japanese franchises. Excellent modern leasehold premises. Offers around £500,000 plus vehicle stock.
Write Box H3238, Financial Times, 10 Cannon Street, London EC4P 4BY

TYPESETTING AND PRINTING BUSINESS FOR SALE

A growing business with an annual turnover in excess of quarter of a million pounds. An excellent client list and a high proportion of regular work. Ideal acquisition for an offset printer to increase turnover with quality clients.

Melvyn Segal, Arram Berlyn Gardner & Co., Mortimer House, 37-41 Mortimer Street, London W1N 7RJ. Tel: 01 636 5511/4

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Sell Companies Nationwide

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Contact in confidence:
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4 Bank Street,
Worcester WR1 2EW.
Tel: 0905 22303

TOUR OPERATOR FOR SALE
an opportunity arises to acquire one of Britains last independent tour operators.
We are a specialist company involved in the transatlantic market and also operate a specialised I.T. programme.
Principals only please contact Box H3227, Financial Times, 10 Cannon Street, London EC4P 4BY

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Prime location in SW. London; Fully licensed.
Principals need only reply to:
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Profitable and Expanding
menswear accessories company for sale as a going concern.
T/O 750K with established outlets.
Write Box H3215, Financial Times, 10 Cannon Street, London, EC4P 4BY

For Sale
excellent HOTEL in OSTEND, BELGIUM
70rms, extension poss., central & nr. beaches.
Enquiries:
Mrs. VANCOMPERNOLLE, Appartment 41, Van Iseghemlaan 18, 8400 OSTEND

FOR SALE CONTROLLING INTEREST
IN
CASH RICH, FULLY LISTED GROUP
MARKET CAPITALISATON £8M
ALL ENQUIRIES TO BOX H3214, FINANCIAL TIMES, 10 CANNON STREET, LONDON, EC4P 4BY

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Prime shop in rows, beautifully shopfitted, selling up market fashion jewellery. Christian Dior, Givenchy, Attwood & Sawyer etc. Lease and business as going concern. Principals only to:
Box H3246, Financial Times, 10 Cannon street, London EC4P 4BY

Well established manufacturer
of children wear accessories present registered design range includes plastic children hangers, hooks and waste bins. Customer bases, moulds and other equipment available.
Write to Box H3243, Financial Times, 10 Cannon Street, London EC4P 4BY

Company Notices

Notice to Holders of
TOSHIBA CERAMICS CO., LTD.
US$ 50,000,000
3% Convertible Bonds due 2000
US$ 30,000,000
3 ½% Convertible Bonds due 1994
US$ 70,000,000
3¼% Guaranteed Bonds due 1991 with Warrants

In respect of the above three issues, Notice is hereby given as follows:
On 25th February, 1988, the Board of Directors of the Company resolved to make to shareholders of record on 31st March, 1988, a free distribution of shares at the rate of 0.10 new share for one share so recorded.
According to the above resolution, the Conversion Prices and the Subscription Price of the above three issues per share of common stock after giving effect to the aforesaid free distribution of shares pursuant to the provisions of Condition 5(C) of the two Convertible Bonds and Condition 7 of the Warrants will be adjusted respectively as follows:

	Adjusted Price YEN	Current Price YEN
3% Convertible Bonds due 2000	1,433.20	1,576.50
3½% Convertible Bonds due 1994	1,130.80	1,243.90
3¼% Guaranteed Bonds due 1991 with Warrants	1,059.50	1,165.50

Since the record date will be 31st March, 1988, the adjusted prices will take effect in Japan on and from 1st April, 1988.
Toshiba Ceramics Co., Ltd.
26-2 Nishishinjuku 1-chome
Shinjuku-ku, Tokyo

MULTIPLE RETAILER OF FASHION ACCESSORIES
FLASH TRASH LIMITED (IN RECEIVERSHIP)

Business and assets for sale.
Company has 5 leasehold shops – Oxford Street, Regent Street, Kingston upon Thames, Hounslow (Treaty Centre) and Brighton, and leasehold warehouse/head office premises in London W1.
Turnover currently approximately £500,000 plus possible franchising opportunities.
For further details contact:
W M Roberts or T C Carter, Ernst & Whinney, Becket House, 1 Lambeth Palace Road, London SE1 7EU. Tel: 01-928 2000.

Ernst & Whinney
Accountants, Advisers, Consultants

PLASTIC INJECTION MOULDING AND TOOL MAKING BUSINESSES
BARNSTAPLE, NORTH DEVON

The businesses and assets of West Country Plastics Limited and West Country Tooling Limited are offered for sale. The Companies are engaged in plastic injection moulding and the manufacture of related tooling.
Principal features include:
- Modern leasehold premises, comprising 23,000 square feet
- Extensive range of modern thermoplastic moulding machines
- Fully integrated computer assisted tooling design and production system
- Extensive customer base including companies in the medical, consumer goods and aircraft industries
- Skilled workforce

For further information please contact the Joint Administrative Receiver:
Richard Neville

KPMG Peat Marwick McLintock
Phoenix House, Notte Street, Plymouth, Devon PL1 2RT. Telephone: (0752) 225381

SHAWHOLDINGS LIMITED
ALEC A SHAW LIMITED
(BOTH IN ADMINISTRATIVE RECEIVERSHIP)

Established building contracting business operating in north and west London from 2,700 sq. ft. leasehold premises in Park Royal Industrial Estate, London NW10.
Annual turnover approximately £3 million.
Further details from: T Carter and N J Hamilton Ernst & Whinney, Becket House, 1 Lambeth Palace Road, London SE1 7EU.
Tel: 01-928 2000.

Ernst & Whinney
Accountants, Advisers, Consultants

For Sale As A Going Concern
LEATHER FINISHING FACTORY MIDLANDS

A Group wishes to dispose of one of its Companies, which is a modern Leather Finishing Factory situated in the Midlands, due to its incompatibility within the Group.
The Factory site is freehold, has good access to motorway and is conveniently situated for servicing its customers.
The Factory is fully equipped to finish up to 60,000 sq ft/week of leather and employs some 20 people. The annual T/O currently is in the range £1.0 - £1.5 million and current trading is profitable.
For full details please contact:-
P S J Alexander & Co, Chartered Accountants
1 Doughty Street, London WC1N 2PH

Profitable Scottish Meat Wholesaling Company

(Including E.E.C. approved cutting plant)
Seeks buyout or merger to further expansion plans. T/O £7m.
Write Box H3210, Financial Times, 10 Cannon Street, London EC4P 4BY

PLC DIVESTMENT - ENGINEERING

East Midlands based well-equipped project and sub-contract engineering business available for sale. Turnover approx. £1.5m with freehold property.
Principals in first instance contact:
Box H3248, Financial Times, 10 Cannon Street, London EC4P 4BY

FOR SALE
COSMETICS COMPANY
Established Brand Names
Turnover 1987 - circa £2 million
1988 - est £4 million
Please Write Box H3211, Financial Times, 10 Cannon Street, London EC4P 4BY

FINANCIAL NEWSLETTERS. Financial newsletter publishing business. 7,000 subscribers, £500,000 turnover. Publication commenced 1982. Currently attracting new subscribers. Majority pay by direct debit. Principals only Write Box H3241, Financial Times, 10 Cannon Street, London, EC4P 4BY.

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Legal Notices

PITTENCRIEFF PETROLEUM PUBLIC LIMITED COMPANY
PETITION FOR CONFIRMATION OF REDUCTION OF CAPITAL
(pursuant to Section 136(1) of the Companies Act 1985)

NOTICE IS HEREBY GIVEN that in a Petition presented by Pittencrieff Petroleum public limited company having their registered office at 42 Charlotte Square, Edinburgh EH2 4HQ for Confirmation of Reduction of Capital, an Order was pronounced by the Inner House of the Court of Session at Edinburgh on 10th March, 1988 to appoint the said Petition to be intimated on the Walls and in the Minute Book in common form and to be advertised once in the Edinburgh Gazette and once in the "Scotsman" and "Financial Times" newspapers and to allow all parties having an interest to lodge Answers thereto if so advised within 21 days after such intimation and advertisement.

W. & J. Burness, WS.,
16 Hope Street,
Edinburgh, EH2 4DD
Agents

RAND MINES

HARMONY GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 05/38232/06

ANNOUNCEMENT

Following the last dividend period ended 30 September 1987, operations at the mine have been adversely affected by a number of factors.

As reported in October, results from the Leader Reef in the north western area of the mine have been very erratic and generally disappointing. The move into higher grade areas on Leader Reef in other parts of the mine has taken longer than expected due to the difficulty of identifying the better areas. An intensive evaluation exercise has now been completed and further moves into better areas can be implemented with greater confidence.

The mine is experiencing an acute shortage of miners and other blasting certificate holders. This position has been exacerbated by the opening of Harmony 4 Shaft which is in effect equivalent to a new mine with a milling capacity of 120 000 tons per month. As a result it has not been possible to adequately man the working places and hence to keep the mills full.

Output was also adversely affected by the traditionally lower levels of production experienced at the mine during the summer months.

It is anticipated that with the action already taken and being contemplated the tonnage and grade will steadily improve with the shortage of blasting certificate holders being the major potential constraint.

Nevertheless, taking all these factors into account a net loss after appropriations for the two quarters ending 31 March 1988 is expected. The directors have therefore decided not to declare a dividend for the period.

By order of the Board
Rand Mines (Mining & Services) Limited
Secretaries
per N.H.R. Pitts

Johannesburg
15 March 1988

Registered Office
15th Floor
The Corner House
63 Fox Street
Johannesburg 2001
(P.O. Box 62370
Marshalltown 2107)

Secretaries in the United Kingdom
Charter Consolidated Services Limited
40 Holborn Viaduct
London EC1P 1AJ

Member of the Barlow Rand Group

COMPAGNIE BANCAIRE
Société Anonyme
Incorporated in France with limited liability.
Regd. Office: 5 avenue Kléber, Paris 16 ème.

NOTICE OF ORDINARY AND EXTRAORDINARY GENERAL MEETING

The shareholders of Compagnie Bancaire are invited to attend the Ordinary and Extraordinary General Meeting to be held on Tuesday, 22nd March, 1988, at 3.00 p.m. at the Head Office, 5 avenue Kléber, Paris 16 ème, to consider the following Agenda:

- The Report of the Board of Management and consideration of various changes in the Company's constitution.
- The Report of the Auditors.
- The Report of the Supervisory Board.
- The approval of the accounts for 1987 and appropriation of profits.
- The renewal of the appointment of an auditor.
- The extension of the term of office of the appointed and substitute auditors.
- The authorisation of the Board of Management to buy and sell shares of the Company on the stock exchange in order to regulate their price.
- The authorisation of the Board of Management to increase the share capital by three billion francs by the issue of shares or other transferable securities.
- The authorisation of the Board of Management to grant options to purchase shares of the Company to employees of the Group and its subsidiaries.
- The constitutional changes required by the amendments introduced by the Law of 24th July, 1966 as updated by recent regulation.

In order to attend or be represented at the Meeting, owners of registered shares must have been entered on the register five clear days prior to the Meeting. Holders of bearer shares must deposit at least five clear days prior to the Meeting at the Head Office, the certificate of deposit, issued by the bank, financial institution or stockbroker with whom the shares are lodged.

Postal votes must be received at the Head Office of the Company on the appropriate form six days in advance of the meeting.

Shareholders who wish to attend the Meeting are requested to make advance application to the Company for an admission card.

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Personal	10.00	34.00
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EUROPE PRESTIGE FUND
SICAV
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg n° 20.653

Dividend Notice

At the Annual General Meeting held on March 8, 1988, the shareholders decided to pay a dividend of ECU 0.047 per share, payable from March 23, 1988, to shareholders of record on March 9, 1988, and to holders of bearer shares upon presentation of coupon n° 2.

Paying Agent in Luxembourg:
Kredietbank S.A. Luxembourgeoise
43, Boulevard Royal
L-2955 Luxembourg

PAROTOW LIMITED

Registered number 1382577
Nature of business: General Engineering
Trade classification: 07
Date of appointment of administrative receiver 24.02.88
Name of person appointing the administrative receiver: National Westminster Bank Plc
R E C Cook & C W Nield
Joint Administrative Receivers
(office holder No) 5847/2452
St James's House, Charlotte Street, Manchester M1 4DZ

EUROTEC PRESISION LIMITED

Registered number 1163612
Nature of Business: General Engineering
Trade classification: 07
Date of appointment of administrative receiver: 24.2.88
Name of person appointing the administrative receiver: National Westminster Bank Plc
R E C Cook & C W Nield
Administrative Receiver
(office holder No) 5847/2452
St James's House Charlotte Street
Manchester M1 4DZ

Royal College of Art/William Packer

Fine painting vindicated

This year the Royal College of Art marks its 150th anniversary, but none of its celebrations will be more impressive and worthwhile than the Painting School's special exhibition, *Exhibition Road*, that now fills the College's galleries in the main building on Kensington Gore (until April 24: sponsored by Christie's Fine Art Auctioneers and Jaguar Cars).

Artists' careers are unpredictable things, and there is no readily quantifiable value to set on an education in Fine Art in the shorter term. We can only look to actual performance and distinction sustained over decades and generations to make the case; but when it is made it is irrefutable. *Exhibition Road* is just such a polemical, celebratory, exercise marking the substantial achievement of the Painting School of the College in the 20th century.

Selected and arranged by Paul Huxley, who is now Professor of Painting at the College, and Susie Allen, it is beautifully hung. Its plan is simple and effective: following a loose chronology that begins around 1900 and runs up to the present, it identifies three periods, early, middle and late. These are the early modernism, romantic, symbolic and surreal, of Burra, Nash, Piper, Collins, Merlyn Evans, Ceri Richards; the Beaux Art Years of Bombergian expressionism and the New Realism in the 1950s of Auerbach, Kossoff, Coker, Greaves, Jack Smith, Bratby, Cooke; and the Pop Art of the 1950s and early 1960s of Blake, Tilson, Hockney, Boshier, Jones and Kitaj.

The show begins with Jack Yeats and William Rothenstein in the 1890s, gets into its stride after the First World War and continues into the late 1970s. Artists who studied in the School are represented by at least two works, one an early and where possible a student work, the other late. Professors are also allowed two works, but it is an odd quirk of the story that, of all of them, only Gilbert Spencer was a student in the School.

The School has always seemed able to absorb the strength of its rival institutions to its own advantage through professional appropriation, and those artists associated only by their teaching are represented by one work each, dating where possible from the period of their appointment. To bring the show up to date, a few graduates from the 1980s are also represented by a single work. In a few cases particular circumstances have allowed a third work from an artist, but never more.

Thus the span and scope of painting at the Royal College is embraced in an exercise that amounts not merely to a vindication of the Painting School itself, but to a full account of British painting in modern times. The sustained achievement of these artists over a lifetime bears any international comparison; and though the presence of such established figures as Paul Nash, Francis Bacon, Kitaj, Auerbach, Hodgkin and Hockney is welcome and necessary, repeatedly it is the obscurer or purely national reputation, from whatever period, that steals the show.

John Tunnard emerges in real strength from posthumous neglect; Peter Coker, with his dead hare and sides of beef, more than holds his own with Auerbach, his exact contemporary; Jean Cooke, sometime wife of John Bratby paints his portrait and outpaints him; Ruskin Spear's recent portrait of Francis Bacon is a remarkable work by any standard; and in the huge group portrait by Rodrigo Moynihan, sometime Professor in the 1950s, of his colleagues on the staff of the Painting School, we have one of the great conversation pieces of this or any century.

But the collective statement is quite as intriguing as the individual, for it proposes a remarkable coherency for all the apparent differences of style. Two related and abiding myths are at last exploded by simple demonstration. The student work may well be a life painting or study from observed reality, while the later work shown alongside may seem utterly at odds – gone off into abstraction or some such aberration. And yet time and again a closer look reveals in the one the seeds of the other in formal, technical or subjective interest.

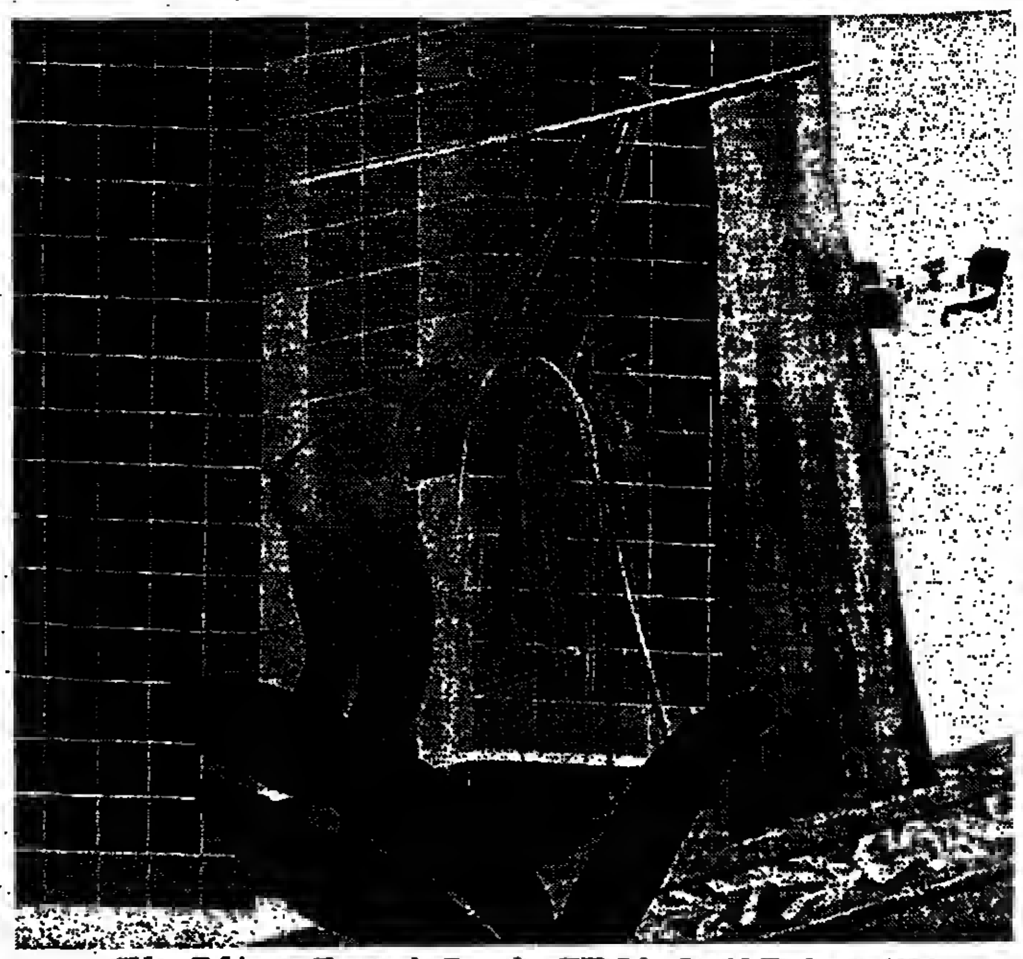
Anthony Whishaw has returned to the dark interior spaces in which his life figure is laid, and the braided roundels of Tilson's youthful matador jump directly into the hieroglyphical boxes of his later reliefs. In the simple structure and pictorial disposition of Bridget Riley's model upon her bed, it is far from fanciful to discover the disciplines of her latest stripes and diagonals. Arbitrary and absolute though change may seem to be, true artist's work is always all of a piece at heart.

The Royal College of Art stands now where it has long stood, *primus inter pares* with its historic rivals, the Royal Academy Schools and the Slade as Britain's great post-graduate school of Fine Art. As a school of Art, Applied Art and Design it stands alone, the first to be set up with the specific intention of bringing the several disciplines of art and design together under one roof, and it remains a mecca for the most ambitious and talented of our graduate art students of every kind.

So may it continue for another 150 years and more, but we cannot be sure it will be allowed to do so: ours is a time when the virtues of Good Design are often to be heard falling from ministerial lips, and cost-effective funding of Higher Education along job-certain lines much on civil servants' minds; would that they were so solicitous of Fine Art, which they have honoured at all levels by attrition sustained under successive governments for at least the past 20 years.

The point could hardly have been better put than by this splendid exhibition: that, without a culture steeped in Fine Art, there can be no such thing as Fine Design. Certainly, without its School of Painting, or of Sculpture or Printmaking for that matter, there can be no such thing as a College of Art, Royal or otherwise.

A fine history-cum-catalogue, edited by Paul Huxley, accompanies the show.



"Man Taking a Shower in Beverley Hills" by David Hockney, 1964

Kagel/St John's, Smith Square

Andrew Clements

Mauricio Kagel's unlikely but profound dedication to the music of J.S.Bach is well established. "It may be that not all musicians believe in God, but they all believe in Bach," he once observed, and completed his most lavish homage three years ago, with *The Passion of St Bach*. But smaller-scale acts of worship have been scattered through his output for much longer, and two of them were included in a group of four choral pieces, all taken from Kagel's 1972 collection *Programm*, which ended Friday's concert given at St John's, Smith Square by the New London Chamber Choir conducted by James Wood.

It was a cunningly conceived and adroitly executed sequence given without a break, which began with Bach's motet *Furchte dich nicht* and the A minor fugue from the second book of the *Well Tempered Klavier*. The first of the Kagel pieces, *Die Mutation*, starts from that fugue, which is played twice by a harpsichordist while a male chorus delivers a text, part sung, part shouted and whispered, derived from the titles of Bach cantatas. Both it and *Recitativarie* for singing harpsichordist (the excellent Sara Stowe in this performance) do little but weave a teasing web of literary and musical allusion around the Bach connection, but in *Vom Hörensagen*, the references to Wagner, and to the sources and musical language of *Parsifal* in particular do not impede what is a shapely and satisfying short piece for female voices and organ. In *Gegenstimmen* for mixed choir and organ, the effect is much closer to Kagel's theatre pieces, and to his explorations of the conventions and absurdities of performance, as an incompetent conductor struggles to co-ordinate two recalcitrant and ill-disciplined groups.

The NLCC delivered them all without a trace of self-conscious guying; Kagel is in many ways the most difficult of contemporary composers to perform convincingly, but the gentle, rather modest scale of these pieces emerged unscathed. The sequence had been preceded by Schütz's grave and austere *Musikalische Exequien*. The complex patchwork of its first part, a six-voiced concerto in the form of a German *missa brevis*, began uncertainly but gained steadily in vividness and confidence, and the account of the remaining sections, especially the central motet based on Psalm 73, had an admirable clarity and presence.

London Symphony/Barbican Hall

Richard Fairman

This was a pops concert with a difference. When concert promoters are looking for a romantic violin concerto with a dash of Hollywood glamour, they usually settle for the favourite Bruch or Chaikovsky, but the London Symphony Orchestra's concert on Friday night ventured further afield and came up with the genuine article: the 1947 Violin Concerto in D by Erich Korngold.

On the face of it, this is a concerto with the very best credentials. Korngold wrote the work for Huberman, dedicated it to Mahler's widow, and saw its first performance given by Jascha Heifetz, as though to suggest it was a work in the strictest classical tradition. But what he served up to them was a mish-mash of themes from his best film scores run together with only the outline shape of a real concerto.

That those themes, in themselves, are lusciously attractive cannot be denied. The very opening melodic material, taken from his score to the film *Another Dawn*, is built on sensuous textures and a yearning rising seventh that give the piece a distinctive Korngold flavour, but unfortunately the music that links the tunes never seems more than aimless note-spinning.

The concerto's hazy grasp of musical structure would not have won its composer any Oscars. For the soloist the major requirement is a tone quality that will make the melodies glow with late-romantic warmth, and this was supplied almost to excess by the 17-year-old soloist Gil Shaham, whose playing might well have balanced its impressive lyricism with more lightness of touch. His accomplishment, though, is undeniable and he will be welcome in other repertoire, especially if he chooses something equally little-known.

The rest of the programme included Chaikovsky's Fifth Symphony and two works by Bernstein: the *Candide* Overture and Symphonic Dances from *West Side Story*, the latter a fascinating comparison after the Korngold as to what happens when film or theatre material is transferred to a classical context. The LSO under Bramwell Tovey put it over with bogus virtuosity: the sort of orchestral playing that has a lot of dazzling brassy glare, but not the accuracy and detail of the real thing.

L'Avaro/Teatro Manzoni, Milan

Michael Coveney

The distinguished Italian film actor Ugo Tognazzi is making a rare appearance on stage as Harpagon (Arpagone), Molière's miser, at the Teatro Manzoni in Milan. For all his palpable charm and popularity, it is not a happy occasion.

The setting is immediately post-War, a pile of desks and wig stands, ledgers and candelabras, accumulated centre stage like an anachronistic monument. At the climax of the final act, Tognazzi bursts through the downstage trapdoor in a wig. He exclaims, in French, "Je suis Molière où est ma pièce?"

Which, in the circumstances, is the right question. The genie has escaped from the bottle and there remains nothing of the play's savagery and bite. It becomes, as Molière can so easily become, a mere decorative charade. You have to keep reminding yourself that Harpagon wants to marry the young girl his son loves; to marry off his daughter, without a dowry, to the father of the man *she* loves; and that his under-the-counter financial dealings are exposed when his own son is revealed as a potential borrower, impoverished by his father's meanness.

It is ironic indeed that a play about avarice and hypocritical compromise should itself be presented for no apparent reason other than base profit. One would have thought Tognazzi could command the best sort of circumstances for his occasional stage appearances. Instead, he has tolerated a commercial circus, and failed to progress with Harpagon beyond establishing his furtiveness in the blandest manner.

One week before the Milan opening, the director Mario Missiroli, who also designed and translated, was dismissed by Tognazzi.

Ugo Tognazzi and Fioretta Mari

It is impossible to tell what remains of his "conception." Tognazzi ventures, unwisely, into the auditorium for the great fourth act speech after his strong box has disappeared. And the play ends in one of those corny storms of bank notes and glittering coins.

Otherwise, the evening is marked by some atrociously narcissistic acting by Giovanni Guardiano as Cléante, the simpering nebulousness of Tiziana Cortinovis as Elise, and the superficial bluster of Elio Crovetto as a pudding-shaped Maître Jacques.

Some of the costumes (by Ambra Danon) are diverting, as you would expect at this time of year in Milan. Fioretta Mari, a fine actress, transforms the adventuress Frosine into a dashingly hatted, shoulder-padded fashion mannequin in décolletage, a black cocktail dress that is both of the period and of today.

The production sets off on an extensive money-making North country tour next week, starting in Bologna and ending in Venice in May. Admirers of Tognazzi will want to see him, but should be prepared for disappointment. To see how Molière can be done by an intelligent and exciting company, I travelled down to Parma and shall report on revivals there of *Tartuffe* and *Don Juan* on Saturday.

Holliger/Cologne

Andrew Clark

Heinz Holliger the oboist is known the world over; Holliger the composer has taken longer to flower. In recent years, his music has emerged from the shadow of his mentor Pierre Boulez and shaken off the dogmatism of youth. The results have been well worth hearing. This concert, one of a heavily subscribed series by the Cologne Radio Symphony Orchestra and Chorus, was conducted by Matthias Bamert and featured Holliger in two first performances – as soloist in a concerto by Edison Denisov, and as the composer of *Gesaenge der Fruehe* for large orchestra, chorus, and tape.

This 35-minute work is a collage of music and words tracing the personal and artistic parallels of Hoelderling and Schumann in their final mentally-disturbed years. There are quotations from Hoelderling's poetry and Schumann's music – the piano piece *Gesaenge der Fruehe* is recalled at the very start – as well as taped readings of post mortem medical reports and the sound of Schumann scribbling the final entries in his diary. The enclosed, remote world of mental disorder is evoked by choral intoning, and there are echoes of German chorale, as well as some atmospheric percussion effects. Holliger handles this morbid-sounding material with a sense of theatre, an imaginative and expressive instrumental palette and with admirable cohesion. He also succeeds in engineering an unusual rapprochement between the Romantic era and the present day. He likes extremes – of dynamics, source material and sound effects – but this and his two Liszt transcriptions at the start of the concert indicate he is becoming articulate and accessible, with a personality every bit as distinct as his work as an instrumentalist.

In such a framework, the new Denisov concerto sounded lightweight, conventional and over-extended, despite Holliger's brilliant exposition of the melodious solo part, which mysteriously changes to cor anglais midway through the third and last movement. The thick and tame chromatics of the accompaniment were skillfully coordinated by Bamert, whose gifts in bringing new music to life have long been appreciated by composers and orchestras in West Germany.

This was my first visit to the new 2,000-seat Cologne Philharmonie, which has rejuvenated the city's concert life since it opened 18 months ago. Situated next to the Cathedral in the city centre, it is one of the more successful examples of the modern steeply-raked, fan-shaped design, with a sharp and bright acoustic, light American oak surfaces and a ceiling of concentric blue steel frames resembling a builder's crane.

WNO's spring tour

The Welsh National Opera's spring tour sponsored by the Legal and General, the National Westminster Bank and British Gas opens on March 25 at the Grand Theatre, Swansea, with André Engel's new production of *Salome*, which will travel in repertoire with *Eugene Onegin*, *Tosca* and *Don Giovanni* to Southampton, Oxford, Birmingham and Bristol.

The delayed re-opening after refurbishment of the New Theatre, Cardiff will take place on June 4 with a new production of *La traviata*. This will join the other productions for the summer tour.

AC/DC/Wembley Arena

Antony Thorncroft

Some guidelines for anyone invited to an AC/DC concert.

Dress. If you must, but only tee-shirt and jeans, the tee shirt to be removed within the first hour and the jeans rolled down from the waist to expose at least two inches of cleavage at the back.

Posture. There are two approved positions: legs apart, one hand on hip, while the other, clenched, is punched in unison towards the band; or, head down while you murder an imaginary guitar. (It helps to have a ton of hair to shake around, otherwise you look as if you are hoovering.

Dialogue. Very simple. The odd "oi" and "yeah." Only one difficult line, a protracted chorus of "She's got the clap," but since there will be 7,000 young men to help you out you should catch on.

Accessories. At least eight beer cans. Shake them well and release over the crowd in front. They won't notice.

There is no need to advise AC/DC. This Australian band has been mounting the same show for over a decade now. Lead guitarist Angus Young has progressed a bit. He used to perform in flannel shorts, school blazer and cap. Now he wears a green velveteen suit, though still cuts it off well above the knee. He also matches the audience in outrage, stripping off for a quick "moon," while indulging in other unnatural practices, like strutting across stage like a street walker and dashing around like a headless chicken. He can concentrate on his acting because AC/DC has been playing the one song from the start. It is called "Those about to rock (we salute you)."

AC/DC has stayed ahead of the other heavy metal bands by being more tasteless, more shocking, more macho, more deafening, and generally more wonderful. Thay have battled on regardless, replacing the odd dead singer with Brian Johnson, who has the same hysterically abusive voice. AC/DC has kept going, the wheel of fashion has turned, and now heavy metal music and the band are packing Wembley again. It is totally exhilarating and totally harmless, the cathartic exhaustion of yobbo tendencies in pubescent males. A kind but firm security attendant picked me out for a pair of free ear plugs. Oi.

Arts Guide

March 11-17

Opera and Ballet

NEW YORK

Merce Cunningham Dance Company (Joyce). Two major premieres are included in the four programmes during the month-long schedule of 12 works. Ends March 27. (242 0800).

Metropolitan Opera (Lincoln Center Opera House). James Levine conducts Cosi Fan Tutte with Kiri Te Kanawa, Susan Quittmeyer, Hei-Kyung Hong and David Rendall in Graziella Sciutti's staging. James Conlon conducts August Everding's production of Khovanshchina with Elizabeth Knighton, Stefania Toczyska and Timothy Noble. James Levine conducts Otto Schenk's new production of Siegfried with Hildegard Behrens Gwendolyn Bradley, Peter Hofmann and Donald McIntyre. (362 6000).

WASHINGTON

Dance Theatre of Harlem: Programme includes Serenade, Footprints Dressed in Red and Othello. Ends March 20. Kennedy Center Opera House (254 3770).

TOKYO

The Manhattan Ballet (Tokyo Bunka Kaikan) in works choreographed by Carla Glenn and Robert North to the music of George Gershwin, including Rhapsody in Blue and An American in Paris. (265 5351)

PARIS

Nouvel Orchestre Philharmonique (TMP-Chatelet). Carl Maria von Weber's romantic opera Der Freischütz conducted by Marek Janowski. (42 33 44 44)

Janacek's Z Mrtveho Domu (Salle Favart – Opéra Comique) depicts Dostoyevsky's obsessive memories from the prisoners' pathetic universe in Siberia. It is conducted by Sir Charles Mackerras/John Burdekin in production by the filmmaker Volker Schloendorff. (47 42 53 71)

Boris Godunov (Palais Garnier-Paris Opéra). Conducted by Lothar Zagrosek and produced by Petrika Ionesco, with Paata Burchuladze in the title role and Marie-Christine Porta as Xenia. (47 42 53 71)

WEST GERMANY

Berlin, Deutsche Oper. Tosca has fine interpretations by Pilar Lorengar, Corneliu Murgu and William Dooley. Der Troubadour in Herbert von Karajan's production features Sharon Sweet, Giorgio Lamberti and Harald Stamm. Zar und Zimmermann will be conducted by Hans Hilsdorf with Barbara Vogel, Barbara Scherler and Barry McDaniel.

Hamburg, Staatsoper. Tristan und Isolde, produced by Ruth Berghaus, will have its premiere this week. The cast is led by William Johns, Gabriele Schnaut and Harald Stamm. Don Pasquale brings Hellen Kwon, Giorgio Tadeo and Urban Malmberg together. Don Giovanni stars Samuel Ramey in the title role beside Linda Plech, Karita Mattila, Gilles Cachemaille and Kurt Moll.

Cologne, Opera. Bruna Baglioni repeats her much praised performance in the title role in Aida. Wozzeck has a particularly strong cast with Nadine Secunde, Walter Raffeiner and Walter Berry.

Frankfurt, Opera. Otello has George Gray in the title role and Clarry Bartha as Desdemona. Cosi Fan Tutte, conducted by Gary Bertini, has Clarry Bartha, Marianne Rorholm, Michal Shamir and Tom Krause.

Stuttgart, Württembergisches Staatstheater. Fidelio, in Yuri Ljubimov's production, was highly acclaimed when it opened. Jennifa convinces thanks to Michael Schönwandt as conductor. Another highlight this week will be Carmen, choreographed by the late John Cranko.

ITALY

Rome, Teatro dell'opera. Renato Bruson's production of Simon Boccanegra designed by Tita Tetano and conducted by Gustav Kuhn with Ileana Cotrubas, Nicola Ghiuselev, Nivola Martinucci and Gianni de Angelis. Renato Bruson sings the title role. (Tue). (46 17 55).

Naples, Teatro san Carlo. Bellini's Puritani in Pier Luigi Pizzi's production. Conducted by Piero Bellugi. The cast includes Katia Ricciarelli (alternating with Maria Dragoni), Francesca Franci, Mario Luperi, Ambrogio Riva and Rockwell Blake. (41 71 44).

Genoa, Teatro Margherita. Don Pasquale conducted by Romano Gandolfi with Simona Alaimo in the title role, Alberto Rinaldi as Doctor Malatesta, Pietro Ball (Ernesto), and Adriana Anelli (Norina) in Beppe Menegatti's production designed by Luis Spinatelli. (58 93 29).

Trieste, Teatro Comunale. Il Ritorno di Casanova, a new work by Girolamo Arrigo, based on a novel by Schnitzler (first performed in Geneva in 1987), conducted by Reynald Giovaninetti. The cast includes Fiorella Pediconi and Max Rene Cosotti.(63 19 48).

Palermo, Politeama Garibaldi. New production by Filippo Crivelli of Ildebrando Pizzetti's Fedra with a text by Gabriele d'Annunzio and conducted by Maurizio Arena. The opera was first performed in 1915. Sofia Larson leads a cast which includes Carmen Gonzales, Piero Visconti and Garbis Boyagian. (58 15 12).

Parma, Teatro Regio. L'Elisir d'Amore conducted by Hubert Soudant with Adelina Scarabelli, Chris Merrit, Angelo Romero and Barbara Briscic. (79 56 78).

NETHERLANDS

Amsterdam, Muziektheater. Premiere of the Netherlands Opera production of Katya Kabanova by Janaček directed by Philippe Sireuil and designed by Jean-Claude de Bemels. Kenneth Montgomery conducting the Netherlands Philharmonic, with Ellen Shade in the title role, Felicity Palmer, Jerome Pruett and Stefan Dahlberg (Thur). (25 54 55).

Amsterdam, Schouwburg. The Nederlands Dans Theater with the premiere of Pebbled Path, and Light, part 28, Pilgrimage, Dark Side of the Light (Mon). (24 23 11).

Groningen, Oosterpoort. The Ensemble dance company with Notus Calor, Load Another Round, Four Fine Creatures, and Neurotic Wood (Wed). (13 10 44).

Kindly keep it covered/Bromley

Antony Thorncroft

Dave Freeman's new farce at the Churchill Theatre, Bromley sadly exhausts most of its ingenuity on its title. It is the advertising slogan of the Kindly Insurance Company which has reluctantly paid out a £1m policy on the evidence of a burned out car and one shoe. Wa don't have to wait long for the "dead" beneficiary to reappear disguised as a doctor from Madagascar. He is looking for his wife who has since married his best friend. With the insurance money they have bought a health farm which seems to attract insurance men from the Kindly. The laughs may now begin.

Well, in two hours I managed one smile and a titter, which was about par for the course. There is a great deal of hiding in cupboards and clumsy disguising, but precious little story line. Interest flickered when Anita Graham as the statutory statuesque blonde wraps herself in an FT for the doomed seduction scene, but when a writer has to drag in a Morris Dancer for his laughs inspiration is obviously spent.

If the plot is static some of the acting is frenzied. Terry Scott, as the new husband, explodes from the start, but then a stuttering, constantly bemused, characterisation is a useful cover when searching for the next line. Still he handles his set piece well, a looney explanation of why husband number one (Robin Nedwell) could be mistaken for a flasher.

Nedwell has the right idea by playing it calmly, and he gets solid support from Andree Melly as the genteel innocent and Anita Graham. Amanda Barrie walks through her part with a distracted air, as if worried about the time of the last train to town. Martin Connor directs to a comfortable set, by Colin Winslow, of the foyer of the hotel. There are possibilities in *Kindly keep it covered* but (amazingly for a farce) more plot, more jokes, and more laid back performances are needed if a West End run is the ultimate aim.

"Bitter Sweet" Tour

The New Sadler's Wells Opera's production of Noel Coward's *Bitter Sweet*, currently playing at Sadler's Wells, will start an 11 week tour of the provinces on March 22 visiting Aberdeen, Glasgow, Oxford, Bath, Southampton, Canterbury, Bradford, Sunderland, Manchester, Birmingham and Liverpool.

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Why coal must be privatised

THE PLAN to privatise the British electricity industry while keeping coal mining as s nationalised monopoly contained the seeds of much dispute; so the quarrel over prices between British Coal and the South of Scotland Electricity Board should have come as no surprise.

The Government expects that private electricity companies will put pressure on the coal industry by exploring the possibility of cheaper imports. Yet ministers have been embarrassed by the virulence of the Scottish dispute, the spectacle of one nationalised industry suing another and the implications for their wider strategy of privatisation.

The immediate cause of the dispute was the SSEB's threat to abandon snpplies from British Coal in favour of cheap imports. British Coal said this could cause the loss of up to 5,000 jobs at Scottish pits whose output was dedicated to two of the board's power stations, at Longannet and Cockenzie. British Coal then obtained a high court injunction against SSEB alleging breach of contract.

Whether or not the court finds that the SSEB was bound by an enforceable contract, it is clear that an agreement has existed between the two parties for more than 20 years and that several Scottish pits were developed to supply the SSEB'e needs.

Close integration

The dispnte therefore highlights the close integration of many of Britain'e large power stations, like Drax and Eggborough in Yorkshire and Ratcliffe-on-Soare in Nottinghamshire, with their associated coal mines.

Under state ownership, the economics of these coal-power complexes have been obscured by rivalry between two big state corporations and by national wage and price agreements. Under normal commercial conditions these relationships would have become much more explicit, probably leading to common ownership of some coalfields and power stations as happens in the US.

Under present proposals, however, the Government is in danger of prodncing a lopsided hybrid. Two generating companies in England and Wales and the SSEB in Scotland will be under strong pressure to improve profits by obtaining cheaper coal supplies. With British Coal's average prices about twice the price on world spot markets, there is much to play for. This is true even though British Coal is right to point out that prices for secure long-term supplies would be well above present world spot prices which do not reflect the full costs of production.

Three customers

However, if the coal industry remains a monolithic state enterprise, faced with only three large *customers, it is questionable* whether the forces of competition will operate in a balanced way.

In Scotland the large amount of nuclear power and a surplus of generating capacity might allow the SSEB to be independent of British Coal. But south of the horder the Central Electricity Generating Board relies on British-mined coal for 80 per cent of its fuel. Many large inland power stations, particularly in Yorkshire, must remain dependent on near-hy pits, because building import terminals and rail links for them would scarcely make economic sense.

So, although the prospect of more openness and greater market discipline is to be welcomed, negotiations over coal prices are likely to continne to contain much of the old mixture of commercial bluff and politics. The *market cannot be expected* to work efficiently unless British Coal is moved into the private sector alongside electricity.

There are numerous possible approaches, including employee ownership of pits or groups of pits, to the privatisation of coal. No donht the Government has been reluctant to rush into privatisation for fear of giving the National Union of Mineworkers an issue to rally round; it has also wanted to give the present management more time to modernise the industry. But the Scottish affair underlines the danger of deferring the issue. It should be placed firmly on the political agenda before the new structure for electricity passes into law.

Moving towards student loans

THE BRITISH Government should now press ahead and publish its proposals for the introduction of loans to students. The idea was floated in the manifesto on which the Conservative Party fought and won the general election last June. "No final conclusions have been reached," it was stated at the time, "hut we believe that top-up loans to supplement grants are one way, among others, of bringing in new finance to help etudents and relieve pressure on their parents." The hesitant tone was understandable at the time, for many Conservatives still remember the revolt by backbench MPs in 1984, when Sir Keith Joseph attempted to increase parental contributions to student subsistence. There is, however, a great difference between reducing the amount paid out in grants and increasing the opportnnity to take out a top-up loan. This is well understood on the Government benches and, indeed, elsewhere.

In principle, there is much to be said for the idea of loans. Students and society both benefit from the provision of higher education; both should pay something towards it. Loans are consonant with the Government's philosophy of reducing dependency on taxpayers' money and increasing the propensity of individuals to fend for themselves. The steady erosion of the real value of student grants during the 1980s would be offset at minimal cost. Students, who can vote at the age of 18, would become less beholden to thair parents. The benefit would be enjoyed by all students equally, regardless of the income or wealth of their parents.

Political advantages

There are also political advantages. Grants are reduced on a scale thet is related to parents' incomes. The children of couples with s joint net income of £15,000 to £20,000 s year receive grants reduced by as much as £1000; their parents are naturally called upon to make up the difference. Some do, and some provide their children with more than the amount necessary to make up the grant – but some provide less. A majority of such parents, and those with higher incomes, are likely to be Conservative voters. Lower-income parents, whose children receive the maximum grant, will be just as aware as the others of the difficulty of subsisting on it.

Much depends upon the details of the Government's proposals. Short-term loans at commercial rates are already availahle to most studente in the form of bank overdrafts. If the new scheme is to improve on this, repayments should be spread over many years (ten?) and interest should be at a low, subsidised, rate. There will be a natural temptation to huy off Treasury objections by cutting further into the existing grant, hnt this should be resisted. A "tidying-up" of housing benefit, which has been proposed as an offset to a snbsidised loan scheme, should also be avoided. The National Union of Students will oppose any form of loan scheme; a scheme that seemed to take away with one hand some of what was given with the other would attract the maximum opposition from students.

Tuition fees

If a top-up scheme can be successfully introduced it might be extended in future years. This would have to be approached with care. At present most British students do not pay tuition fees. Yet, ideally, university incomes should derive at least in part from fees paid directly by students. This would increase the independence of the universities, while making them more aware of the level of demand for their services. It would, bowever, be a mistake to pursue this ideal by providing for over-large loans to students. Such loans might prove excessively burdensome, as some graduates of US universities have discovered. In Britain the correct balance between s top-up loan and a grant sufficiently large to take account of fees as well as subsistence would have to be struck. The argument about that balance is for another day. For the present, the Government need only produce s paper setting out its immediate proposals in detail. Following that it would do well to make every effort to find the parliamentary time for the necessary Bill.

Chris Sherwell looks at recent developments in New Zealand, where a radical programme of tax reform has run into political difficulties

Leaders of a worried country: Mr Roger Douglas, Finance Minister and architect of "Rogernomics" (left), and Mr David Lange, the Prime Minister

The pain of being a fiscal pioneer

FOR THREE DAYS last week northern New Zealand was wracked by its worst wind and rain storms for 40 years. The weather aptly reflected the despondent mood which has overwhelmed the country's 3.3m people in recent months.

In August last year, the Labour Government headed by a buoyant Prime Minister, Mr David Lange, seemed to have achieved the impossible by becoming the first Labour Party government to win re-election in almost 50 years.

It had done so on the mere prospect that better days would result from one of the boldest liberalisation programmes of modern times. The electorate was responding to the promised fruits of the government's policies: deregulated financial markets, abandoned subsidies, lower tariffs and a "corporatised" state sector. (This policy, at the heart of the Government's programme, involved putting state concerns on a commercial footing, run by businessmen rather than civil servants – s half-way bouse, in the Government's view, between nationalisation and privatisation.)

Seven months later, confidence has given way to pessimism, hope to worry, trust to doubt. Last October's share market crash, which has hurt New Zealand more than most countries, has brought a rash of corporate and brokerage collapses and a sharp, potentially deep recession.

A new round of economic reforms rushed out in December has provoked a rift in the Government, and specifically between Mr Lange and Mr Roger Douglas, the Finance Minister, who is the architect of the Government's strategy. A series of opinion polls has shown waning support for Labour and Mr Lange. Only Mr Douglas's most faithful acolytes in the financial sector retain full trust in his "Rogernomics" policies.

Signs of a loosening grip have emerged. Key workers – nurses, teachers, airport staff – have staged disruptive strikes over the controversial legislation to apply private sector employment practices to the state. Government concessions last week failed to stop a civil service strike yesterday. The Government was last month party to an embarrassing fiasco when the NZ$ 780m (£287m) purchase by British Gas of Petrocorp, the New Zealand national oil and gas corporation, was suddenly aborted amid bitter accusations. Critics said the affair hurt New Zealand'e reputation.

The macro-economic picture displays some bright features. Both the inflation rate (at last under 10 per cent) and interest rates – currently around 15 per cent compared with about 20 per cent a year ago – are dropping slightly. But the economy is contracting and unemployment is increasing. The Government has made slow progress in containing public sector spending and is now acknowledging errors in its monetary policy. It admits that its strategy to squeeze out chronic inflation ought to have reached its present point two years ago and that the whole disinflationary adjustment programme has taken longer than hoped.

The country's foreign debt, at an estimated NZ$ 43bn, is unsustainable. The current sccount deficit, back above 4 per cent of gross domestic product, has stopped improving. The overvalued exchange rate is provoking noisy complaints – especially from farmers and mannfacturers – and continues to make overseas debt-holders nervous. But Mr Douglas, knowing any shift might precipitate a currency crash, is determined not to change course.

The biggest worry is perhaps the uncertainty now overshadowing the overall course of economic reform; it stems in part from the Government's handling of its December 17 economic package. Even by the remarkable standards of Mr Douglas, the reforms were radical and far-reaching. Coming from a Labour Party they were revolntionary. Unfortunately they were also bungled, first by Mr Douglas, then by Mr Lange.

Among other things the package promised asset sales amounting to NZ$ 14bn – including the nine recently "corporatised" government departments – to help repay the country's huge debt. It also promised further cuts in industrial tariffs still sheltering local manufacturers, total deregulation of telecommunications, a review of local government and an overhaul of rules affecting different occupations.

But the centrepiece was a series of tax reductions, paid for principally by a rise in the country's comprehensive sales tax. Its most controversial element was Mr Douglas's planned flat tax coupled with a guaranteed family income scheme. The new single rate for individuals would be around 23 per cent, although no figure was given at the time. This compared with three current bands of 15, 30 and 48 per cent, themselves a reduction from rates rising to 66 per cent.

The corporate tax rate would fall to a comparable level, from 48 per cent. Also promised was a change in the way dividends are taxed and, controversially, alterations to superannuation and life insurance taxation and a plan to hit companies' offshore earnings.

This immediately antagonised the business constituency, a major source of political support, while the flat tax proposal outraged traditionalists in the Labour party. Mr Douglas said the flat tax plan countered the problem that welfare benefits made it rational for someone not to work. Specifically it tackled the poverty trap phenomenon; generally it sought to alter people's dependence on the state.

Mr Douglas's real errors, however, were tactical. In the first place more detail was needed, especially on figures, for people to assess whether they benefited. Incredibly, the Treasury had not completed this work. Mr Douglas had railroaded the package through Cabinet to pre-empt a Royal Commission set up by Mr Lange to look at health, education and social welfare spending – the principal drains on government expenditure outside debt servicing.

Mr Douglas feared that the commission's findings would prevent an attack on these expenditures, which he argues can be cut by ensuring that the benefits go to recipients of the service rather than its providers – nurses, welfare workers or teachers. His venture into social policy without adequate political preparation antagonised many, including some colleagues. Mr Lange had reshuffled the Cabinet after the election for just this reason, taking the education portfolio himself.

But if Mr Douglas had mishandled the package, worse was to come, for Mr Lange then had second thoughts. The Royal Commission complained strongly, and he received a critical report from officials. Coincidentally, a magazine article offered a devastating critique of Mr Lange. It concluded he had failed to leave any individual mark on his Government because his intellectual shallowness and his lack of policies and friends made him a vehicle for others' ambitions.

Mr Lange decided the flat tax plan helped the well-off more than the poor, pre-empted unformulated social policy and locked the Government into future spending limits. On January 28, with Mr Douglas in Europe and without telling him in advance, Mr Lange postponed the plan. The move immediately prompted fears that Mr Douglas would resign. He rushed home and over the next few days thrashed out with Mr Lange s new package, announced on February 10.

The existing three-tier personal tax was modified to a two-tier system of lower rates, coupled with rebates for those on low incomes. The new top rate of 33 per cent unlinked it from the corporate rate of 28 per cent. Because the cuts are still substantial and mnch of the original plan is unchanged, the February package clearly remains radical. But the important qnestion is whether Mr Douglas can see his plans through and the disturbing answer is that no one is sure. Economic policy arguments over numbers have given way to sensitive human questions of social policy.

Mr Lange, stung by suggestions that he has lost his social conscience, has asserted himself. The internal struggle for ascendancy in policy has sharpened and, with Mr Douglas more isolated, talk of the "end of Rogernomics" is in the air. But Mr Lange has no coherent alternstive and his recent comments on dubious business practices, weak securities law and the prospect of a capital gains tax have rung hollow after four years of deregulation.

None of this yet amounts to catastrophe. The recession is indeed damaging and the Government's programme looks vulnerahle to derailment, not least from any collapse of international confidence. But the reforms are likely to slow rather than be knocked off course. Mr Douglas and Mr Lange insist that they have not parted company and Mr Douglas, always optimistic, expects economic recovery by next year. The Government does not face an election until 1990, and the uninspiring conservative opposition, the National Party, has shown no sign of countering Labour's outflanking of its position.

Nevertheless, there is no missing the significance of recent events. The battle within the Cabinet and Labour Party has taken a new form. People are talking for the first time of "life after Douglas," even "life after Lange." In addition, both political parties are now held in such low esteem, because of the lack of accountability they have displayed in recent years, that the parliamentary process itself is being questioned.

No one, not even the National Party, wants a return to the autocratic interventionist ways of Mr Lange's predecessor, Sir Robert Muldoon. But the Government's supporters, their patience worn thin by unfulfilled promises, are less confident than they were that its liberalisation strategy is working.

For four years, Labour parties around the world and policymakers in OECD and developing countries have watched with awe as the exhilarating speed, novelty and excitement of economic reform overcame New Zealanders' fears of the unknown. Now, although voters were told at the polls last August not to "quit at half time" because pain would bring its own benefits, the second half has increased the stress, and extra time will be necessary to reap an uncertain reward.

The voters are now wondering what will be left of the economy when the recovery *does* arrive and whether they might find themselves back where they started. For Mr Lange and Mr Douglas, the real pressure of a second term is starting now.

The Burger diplomacy

McDonalds Hamburgers have hroken into the communist world. After years of negotiations to open restaurants in Moscow, the first East European McDonalds will open in Belgrade on March 24, too late to catch Mikhail Gorbachev who leaves Yugoslavia on Thursday.

McDonalds plans a chain of fast-food outlets in the country, though its next East European restaurant is scheduled to open in Budapest by the end of the year. Negotiations to open three McDonalds in Moscow started in 1976 – hardly fast food.

George Cohon, president of McDonalds' Canadian arm which etarted East-West talks long before anyone thought about a Reykjavik summit, said yesterday an agreement was close. "I call it Burger diplomacy," he said.

In Yugoslavia the McDonalds hamhurger will be competing against a fast-food product called the Pljeskavica, a traditional dish made with ground pork and onions instead of the beef used in Big Macs and other American Hamburgers.

Competition, however, has not stood in the way of progress to date with a McDonalds ontlet opening every 17 hours and the 10,000th branch planned to open in Dale City near Washington DC next month.

Beating Liverpool

Ladbroke the bookmaker has made Wimbledon the outsider in the FA Cup semi-final draw, with odds of 9-2 to win compared with Luton at 7-2, Nottingham Forest 4-1, and Liverpool evens. Nottingham Forest, fourth in the first division, are the natural second favourites, but the draw against Liverpool, nnbesten in the league, means Forest have the most generous odds. That should not matter since some team has to beat Liverpool to win; but the bookmakers like to encourage betting against them. Wimbledon will win the cup... or be runners up.

OBSERVER

South Africa tries

Fanie Cloete, one of the men responsible for devising ways of constitutional change in Sonth Africa, was in London yesterday talking about his task.

As an official of not the most liberal Government in the world, he does not like to be much quoted. The broad theme of his remarks, however, deserves attention.

Cloete argues that constitutional reform is now on hold, at least in public. There has been some shift of power to the security forces during the crackdowns of the last few years. But that does not mean that people are not working away on all sorts of constitutional devices in the background. The ruling National Party, he claims, is fundamentally changing its character to become a pragmatic movement rather than just a refuge for Afrikaners.

South Africa is, of course, sui generis and there are no obvious constitutional models for it to adopt overnight. But it is worth looking around the world to see how other countries deal with ethnic, racial and minority questions: assuming, that is, that one wants peaceful change.

Cloete is very much aware of that and, as Chief Director of constitutional planning in the Constitutional Development Services in Pretoria, has a wide knowledge of how such matters are handled in countries as diverse as Israel, Jugoslavia, Belgium, the US and Canada.

It was extremely silly of the Dutch authorities to refuse him permission to enter their country last week. The Dutch might even have had something to teach him. And helping South Africans to devise a model for the future seems at least as worthy as pursuing economic sanctions. The two could go together: carrot and stick.

"Couple more cases like that and we'll have used up our 1988 budget allocation."

Maine's chance

Michael Dukakis, the man at present well placed to win the Democratic nomination to run for President, is pledged to double federal funding for the promotion of tourism to the United States if he succeeds Ronald Reagan in the White House.

Thus Richard Rust, director of tourism in Massachusetts and Dukakis advisor, is currently visiting Britain at present to promote both the attractions of the state and its Governor. Banging the gong for the whole of New England, Rust points out that Boston'e Faneuil Hall Market place, a renovated 19th century building used as s model for Covent Garden, now outstrips Disneyland as America's most visited tourist attraction.

New England boasts of its sophistication and heritage: no Donald Duck or Mickey Mouse there. British travel agents have been entertained instead by a woman who acts out the role of an early settler and another dressed as a Maine lobster.

Dutch come-back

The Dutch were beginning to lose their reputation for capturing high-level jobs in international forums. In the old days, they had Jelle Zijlstra at the BIS, Johannes Witteveen at the IMF anad Emile van Lennep at the OECD as well as Joseph Luns at NATO.

When they retired, it looked as if Holland's influence on world affairs had waned. The Dutch anxiety deepened when Onno Ruding, the Finance Minister, failed to win the top post at the IMF in 1986.

All bad things come to an end, however, and there was rejoicing when Willem Duisenberg, the head of the Central Bank, was named President of the BIS last November. Hulb Muller, one of his deputies at the Central Bank, has now been appointed chairman of the BIS committee on hanking supervision – the so-called Cooke committee which covers the Group of 10 industrialised countries.

Peter Cooke of the Bank of England chaired the committee for 11 years and steps down in October, having produced long-sought proposals on uniform capital adequacy requirements. It is purely coincidence that Cooke is leaving Threadneedle Street around the same time as a number of other senior figures.

Muller, 51, has some experience. He was banking supervisor at the Dutch Central Bank for over a decade and presided over the first Dutch bank bankruptcy in 16 years: the failure of the Tilburg Mortgage Bank in 1982. Stricter supervision and higher captial ratios followed.

The work of the BIS committee on capital adequacy is almost complete, but that does not mean there is no room to develop in other areas.

Blind eye

A friend relates that his daughter arrived home from school the other day and said she was learning about Nelson. "Nelson? How interesting!" "No," she replied, "not Nelson Mandela, the other Nelson".

Letters to the Editor

Local authorities' leasebacks

From Mr Gerard Tyler.

Sir, The decision taken by Mr Nicholas Ridley, Secretary of State for the Environment, to ban the use of lease-leaseback deals by local councils is to be welcomed. These and other "creative accounting" measures such as interest rate swap schemes have been used by high-spending councils to bring short term gains at a higher long term cost to the ratepayers.

The reason why these deals have been adopted is that the accounting policies of the councils involved do not strictly follow the eccruals concept as stated in Statements of Standard Accounting Practice 2. Interest is accounted for on a cash received and paid basis, rather than on an accruals basis. The cash flows of leasebeck deals bava been arranged to exploit this fact. An upfront premium is credited to the general rate fund as interest received, while no corresponding provision is made for the deferred interest payments due to tha lessor, which will burden ratepayers in future years.

In Haringey a discounted interest rate swap scheme was challenged by the District Auditor, with the result that councillors were forced to defer part of the income. Howaver, symmetry between income and cost was still not maintained, and the ratepayers will pay for a short term gain in the next nine years.

If Mr Ridley is to be successful in his campaign to stop "creative accounting" he should insist that treasurers and their anditors properly match income and expenditure, thereby negating the one-off gains from euch schemes, while allowing commercially beneficial schemes, such as that proposed by Merton, to proceed.

Gerard Tyler,
Haringey Council,
Civic Centre,
Wood Green, N22

From Mr H.A. Cowd.

Sir, You report the ban which the Secretary of State for Environment has placed on local authorities using leaseback schemes for what you describe as "getting round expenditure limits" (March 10).

In this report you cited a transaction carried out by the Labour-controlled Brent council, and one which had been contemplated by the Conservative-controlled Merton council. While you mention correctly that the Merton scheme was being promoted with a view to investing the cash, this brief description does not explain the quite different purpose and concept of the Merton scheme from that of Brent. In particular you do not make it clear that the Merton scheme was wholly commercial, and not a creative accountancy device to bridge budget deficits.

The principal object of the scheme was to unlock the authority's equity in its very substantial property holdings which, over recent years, have increased significantly in value. The sum generatad would have been activaly invested to create income for the benefit of the owners of those assets, the borough's ratepayers. In short, the scheme sought to increase income for the relief of the rate, rather than to create an additional capital receipt in order to facilitate increased spending of the ratepayers' money.

This proposal would have built on the council's existing – and very successful – initiative to create a service protection investment fund. This initiative, which was first implemented by Merton (and is now followed by many other local authorities), involves the active investment of cash surpluses. Over the past two years this policy has generated some additional £9m of revenne resources for the benefit of the borough'a ratepayers.

So, far from undermining the Government'a aim to curb the extravagant and ineffective spending of certain Labour controlled authorities, the Merton scheme was fully in lina with Government policies. It would have reduced the burden on the domestic and industrial ratepayer

Harry Cowd,
London Borough of Merton,
Morden, Surrey

There is public disquiet over the NHS

From Miss Nina Fishman.

Sir, Dacisions abont the National Health Service (NHS) used to be straightforward. There was consensus about the efficacy and worth of the welfare state. Popular concern was channelled through the Trades Union Congress General Council's pre-budget message to the Chancellor, and then further refined in varions tripartita institutions. Experts would comment via one of the arcane networks which linked them to this corporate consensus.

Today the situation is transformed – first by the disappearance of consensus about the welfare state, second by the collapse of tripartite decision-making. Mrs Thatcher's third Government has adopted a direct, more popular style, appealing to us as citizens to exercise our responsibilities. Doctors and nurses really have no alternative but to take their case to the people. There is now no other agency which can move this Government.

We were not told in the Conservative election manifesto that the fonndation of the NHS wonld change; nor have we been consulted about whether we are willing to pay more taxes for it. Mrs Thatcher's Government has evidently decided that the people are not fit to participate in the process of determining the future of the health service.

Marches and demonstrations are trusted ways for loyal and patient subjects to express their sense of outrage and grievance so thet a government can grant redress. They are not the stuff of which citizens' politics are made. There is no outlet for our expectations which have been raised hy Mrs Thatcher'a populism. Nowhere have the issues been aired calmly and fully with the intention of helping the public to understand the problems which are supposed to be so complicated. Do politicians and experts alike believe that we cannot be trusted to come to a democratic decision?

It is no wonder that your leader on the NHS (February 27) counselled caution. Neither Government nor Opposition are paying serious heed to the clear and deepening public disquiet over the NHS.

The ingredients exist for popular disaffection from the whole political process. The need is not for an end to "mass hysteria" but for politically responsible action to develop the current popular concern into a fully-fledged public debate from which a constructive outcome can be expected.

Nina Fishman,
61 Sotheby Road, N5.

Action for Cities must be a partnership

From Ms Usha Prashar.

Sir, You are right to say, in your report on the launch of the Government's campaign to halt urban decay (March 8), that voluntary organisations have made a considerable contribution to inner city initiatives.

The breadth and diversity of that contribution are spelt out in a publication launched by the National Council for Voluntary Organisations (Releasing Enterprise: Voluntary Action in the Inner City). This illustrates how voluntary and community organisations play a part in every aspect of regeneration, whether social or economic. It also highlights the way in which people in tha inner cities have, through these organisations, gained the confidence to develop their own initiatives and take up the opportunities that are on offer.

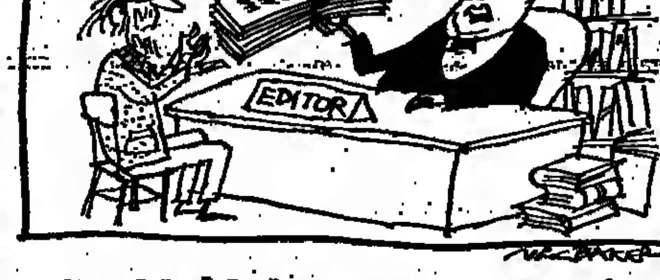
Government policy, as outlined in Action for Cities, should provide welcome encouragement for these organisations. But it has disappointingly little to say about tha wealth of initiative that springs up from the ground.

Local people, through voluntary and community organisations, have played a leading part in delivering Government programmes and getting employment and training to the most disadvantaged in the labour market. They have often been the first point of contact for business involvement in the community and have established joint economic ventures with both business and public authorities. They have also provided the essential social infrastructure

The regeneration of the inner cities can only be achieved if local people and their organisations are given a central position in Government policy. Voluntary and community organisations will continna to work towards inner city regeneration; people in the inner cities will continue to take action on their own behalf. But the experience and resources that they bring to bear cannot be taken for granted.

The people who have put their energies into these organisations need to be assured of the Government's commitment to the future of their work. If co-operation and co-ordination are the keystones of the new package of inner city policies from Government, a three-way partnership – involving local people, through their organisations, with business and government – is eesential. Action for Cities only provides part of the picture.

Usha Prashar,
Director, National Council for Voluntary Organisations,
26 Bedford Square, WC1



Good bookshops may not survive

From Mr Tony Hines.

Sir, In "The march of the multiples" (March 9) John Hyams's comment that there is little price elasticity of demand should surely have read tha opposite: there is a high price elasticity of demand for books if an imposed valued added tax of 15 per cent would mean a 15 per cent fall in the market demand for books. Only price elastic goods are sensitive to changes in quantity as a result of a change in price.

But there are many other factors to be considered, such as whether publishers are providing the right goods to the right market at the right time as well as at the right price. Many consumer goods have risen in price over and above the general rate of inflation during the 1980s, and some have actually gained market share for a variety of reasons. Furthermore, books fall into different market segments, such as those which are necessary, like some school and college texts, or those competing for leisure time against television, video recordings, audio tape, records, compact disc and radio. So some books are highly price sensitive; others are not.

The small bookshop has a part to play in the dissemination of literature. They provide a service to the community. But the attitude of some booksellers – that it is almost a divine right to receive maximum trade discount for the risk free business of selling "see-safe," or for ordering single copies for specific customers, and not for stock to hold on the shelf – may have caused many publishers to rethink terms and prices, and to consider supporting the ending of the net book agreement.

Specialist bookshops providing customers with knowledgable service may not be able to survive tha onslanght of retail chains filling footage with bestsellers at the expense of academic or literary works, especially if you consider the large volume sales required to justify space devoted to books in competition with soap, cornflakes and so on.

Will this mean a better service to customers, or make books less of a "middle class" purchase? Or will it mean fewer opportunities for writers of worth? More mass market "pap" pnhlications? Higher prices to justify consumer advertising campaigns to "hype" books, and to cope with retail margins required by the concentrated buying power of multiples? Fewer publishers prepared to take a risk?

And it will not be a free market. It will be a highly concentrated, oligopolistic ons, controlled by a few major suppliers determining what is or what is not published, applying market criteria: rate of return on capital employed; sales per employee; sales per square foot; profitability per title and so on. Will publishing houses be reduced to brands on a supermarket shelf?

Tony Hines,
67 Oaklands,
Guilden Sutton,
Chester, Cheshire

A jump in the exchange rate may be a quite rational response

From Dr Jeremy Bray MP.

Sir, The remark in your foreign exchanges report on March 10, that "at the moment the market is ignoring fundamental economic factors, such as strong growth and a probable deterioration in the balance of payments later in the year," may not be describing quite what is happening.

A jump np in the exchange rate may be a quite rational initial response in the market to an expected deterioration in the balance of payments, with the authorities moderating the inevitable subseqnent fall in the exchange rate with a *high short* term interest rate. The precise behaviour depends on the interaction of the dynamics of adjustment of market expectations on the one hand, and of the policy of the authorities on the other, with both of them being forward looking.

Since September 1987 I have been running the Treasury model with a rational expectations treatment of the exchange rate similar to that described in the Treasury Working Paper No 39, "Consistent Expectations in the Treasury Model," by Peter Westaway and Rod Whittaker, but modified by the introduction of policy *optimisation*, with an optimisation criterion representing broadly the government'a strategy. The justification for doing this is that it is scarcely credible that expectations will continue to ha formed on tha assumption that the authorities will simply sit there passively with Rome falling about their ears. They will react to market expectations and market behaviour.

I have been puzzled that as the balance of payments has deteriorated, the forecast behaviour of the exchange rate switched from a gradual decline to a jump up followed by a sharper decline. This behaviour can be avoided by modifying the optimisation criterion describing the government's strategy, without totally changing it.

I make no claim that this correctly describes what is happening, or how the formation of market expectations and policy could be modified: it is too easy to make mistakes. But I would be happier if there were some others besides the Treasury and myself able to run the Treasury model on current data in such modes. It would be reassuring if at least the Bank of England and the policy unit at 10 Downing Street were able to check the Treasury's arithmetic before leaning on the Chancellor.

Jeremy Bray,
House of Commons, SW1

Preferable to remove mortage interest relief at higher tax rates

From Mr John Muellbauer.

Sir, Mr G.W. Gardiner questions conventional wisdom that high interest rates are a remedy for inflation, and wonders about the effects of corporation tax on prices (Letters, February 27).

There is evidence on both sides of the interest rate argument. Econometric studies suggest that higher interest rates and higher profit taxes both result in higher prices charged by firms, thus contradicting marginalist theories of pricing.

These studies imply that there is an important element of truth in Mr Gardiner'e hypothesis about the inflationary consequences of corporation tax in the latter half of the 1960s. In the short run, higher mortgage interest rates raise the retail price index to which various nominal incomes are indexed, and which plays a role in wage bargaining. These two channels of influence support his case.

Other channels of influence favour the conventional view – if not entirely for the reasons conventionally proposed. Higher interest rates support sterling, which reduces inflationary pressure from import prices, increases competitive pressure on British firms and reduces labour demand. Higher interest rates do appear to have some negative effect on purchases of consumer durables, and rather more so on fixed investment. An important part of the latter mechanism has been illuminated by Sushil Wadhwani's work on the effect of interest rates on bankruptcy.

But even here there are problems. If the growth of industrial output is too sharply curtailed, labour and capacity ntilisation fall and unit labour costs increase. Moreover, bankruptcies which reduce the capacity of the economy to produce can result in inflationary pressure in later years when demand revives.

Similarly, since wages respond less to the level than to the *rate of change* of unemployment, the short term reduction of wage pressure from increases in unemployment is eventually offset by the increase in wage pressure if unemployment returns to its original level in due course.

One of the most important transmission channels is via the housing market. It is clear that higher interest rates curtail demand for owner occupied housing, and thus slow house price inflation, also reducing regional differentials in house prices. Given a less flexible supply of housing in the south east of the UK then elsewhere, these regional differentials tend to narrow when aggregate demand falls for housing in general. My own research has demonstrated the powerful effects on wage inflation of both average and differential house price changes, with en average lag of about two years.

Apart from these direct effects, taking some of the heat out of the housing market tends to curtail the growth in consumer spending which has been stimulated by the surge in consumer credit, much of it based on house values as collateral.

Given the double-edged nature of the interest rate weapon, under current circumstances it is vastly preferable to take some of the heat out of the housing market by – for example – removing mortgage interest tax relief at higher tax rates. To pursue Mr Gardiner's medical analogy: instead of bloodletting to reduce the fever, it is like putting the patient on a course of aspirin.

However, I believe that the patient's fever is partly the result of a more extensive disease. This is the gross fiscal discrimination in favour of owner occupiers as against landlords and tenants, which discrimination would still remain. The plans to abolish domestic rates intensify it – especially in favour of established owner occupiers. For one thing, this fiscal discrimination makes a nonsense of plans to revive the market in rented accommodation, which is meant to improve labour mobility. For another, it is a major factor underlying the house price explosion of the recent past.

John Muellbauer,
Nuffield College,
Oxford

FOREIGN AFFAIRS

The shrill chorus of disagreement

Nato's membership is riven with differences over defence, writes **Ian Davidson**

IN ITS TIME, Nato has mada many mistakes, and no wonder. Mistakes are inevitable in a heterogeneous congeries of big countries and small, nuclear and non-nuclear, European and North American, and some of Nato's have been truly comic, like the hare-brained MLF scheme of the early 1960s to deploy nnclear weapons on a multi-national, multi-lingual naval force. But none has been more serious, nor more symptomatic of a deep malaise, than the staging of the summit held in Brussels earlier this month.

It was intended to reaffirm the confidence of the members of the Atlantic Alliance in Nato's military strategy, their faith in US leadership, and their coherent support for the chosen mixture of defenca and disarmament. Instead, it revealed more clearly than ever before that the alliance is riven with profound differences on each of these issues, and that it is in danger of running into deep trouble in very short order if its political leaders do not get a grip.

Predictably, the disagreement that erupted most explicitly between the government leaders, and which attracted the main focus of interest of the media, was in itself marginal: whether or not Nato should publicly reaffirm the need to modernise its short-range nuclear weapons. On the eve of the meeting, President Francois Mitterrand of France guaranteed that it would be bellicose, by asserting that modernisation was quite unnecessary; but his words were then reinterpreted by an Elysee expert, who explained that President Mitterrand only meant that modernisation was not urgent now, when the top priority was arms control.

At the Brussels summit itself, the battle was continued in a bead-on clash between Mrs Thatcher (for whom modernisation is essential) and Chancellor Kohl (for whom it is politically uncomfortable). The meeting ended, as usual, with an agreed communique; but the text was ambiguous in the English version, and more than ambiguous in the German.

The natural reflex is to assume that, if the disagreements were so violent and so public, they must have been about centrally important issues; but natural reflexes are not always correct. The very fact that there was virtually a public row about the modernisation of short-range nuclear weapons, is itself an important symptom of Nato'a situation. But as Dr Freud pointed out so long ago, conflicts ara not necessarily about what they seem to be about; moreover, the combatants may not necessarily be aware of their real grounds for dispute.

At the conscious level, of course, there are clear reasons for the dispute, and each of them is reasonable according to different assumptions. The Germans, as the front-line state at risk in any nuclear conflict in Europe, have the greatest need to place the strongest hopes in the durability of the radical detente ostensibly being offered by Mikhail Gorbachev; who is to say thet they are wrong? President Mitterrand has invested heavily in the development of the defence relationship with Germany, as a way of moving France closer to its Nato allies; he has every interest in down-playing an issue which could upset the Germans; who is to say that he is wrong? Mrs Thatcher may admire Mr Gorbachev, but for her the West's security depends on defence as well as detente, and defence is impossible without credible nuclear deterrence; and who is to say that *she* is wrong?

The trouble is that the verbal argument over "modernisation" obscures both the practical meaning of the term, and the real nature of the political argument. It may well be that the allies will for a considerable time be able to avoid clarification of the political issues, and the radical nature of the choices implied, by clinging to verbal argument. But if not, they might be forced to face choices much more far-reaching than the "modernisation" of particular weapons systems.

In the first place, there are at least two reasons why "modernisation" of short-range nuclear weapons based in Germany will be very difficult, whatever the Brussels communique said, and may be impossible. The first is that the limited range of such weapons must, almost by definition, restrict them to targets either in West Germany or in East Germany. That restriction will be all the more pronounced, after the Soviet-American Euromissile treaty leads to the removal of all Nato's medium-range missiles, which are stationed in several other European countries as well as in Germany itself. Considering the political stress the Germans went through in 1983, when the Bundestag finally voted to accept the deployment of the Euromissiles, it is scarcely believable that they will publicly accept the deployment of new weapons which could only kill Germans.

Moreover, it is not at all clear that the modernisation of short-range battlefield nnclear weapons is really what Nato needs most. On the contrary, there is a school of thought that battlefield weapons are dangerous and uncontrollable, and that on military grounds sub-strategic weapons should have the kind of range which would enable them to be deployed further behind Nato's front line, while being able to strike deeper behind the enemy's front line.

The convergence of these two lines of thought seems to lead to soma radical implications. The first is that "modernisation" may turn out to mean, not just replacing existing short-range weapons, like the Lance missiles or nuclear artillery, with more modern versions; bnt developing longer-range weapons to replace the cruise and Pershing II missiles which have just been negotiated away. If so, the nature of these "modernised", i.e. medium-range, nuclear weapons will be tightly circumscribed. Land-based missiles will be ruled out by the provisions of the Euromissile treaty; so the alternatives will be limited to weapons at sea or carried in aircraft. Second, the basing arrangements will be even more restricted. It is possible that the Italians will sgree to take some of the American F16 aircraft which the Spaniards are no longer willing to house. But since the Germans will not take auy new medium-range weapons (see above), the most plausible options will be sea-launched missiles on US ships, or air-launched missiles on aircraft based in Europe's two nuclear powers, France and Britain.

Now it so happens that this is the direction in which France and Britain are already moving. In response to German anxieties, President Mitterrand has virtually renounced the use of the French Plnton tactical missile and its successor, the Hades, on the grounds that their ranges are too short, and would strike targets in Germany; and the government is actively working on the development of a medium-range air-launched missile. The British government is apparently prepared to take extra deployments of long-range US F111 bombers, even if the formal decision is deferred until next month's meeting of Nato's Nuclear Planning Group.

The British government is reluctant to see Nsto's theatre nuclear deployments confined to Europe's nuclear powers. But that, for better or worse, is the logical consequence of the process so imprudently started in 1979, when the West's twin-track Euromissile decision made Nato's nnclear deterrent structure vulnerable to a change of arms control policy in Moscow. The real meaning of the debate over "modernisation" is this: will Britain and France be forced by the logic of events to play a bigger role in the political control of Nato's theatre nuclear weapons, and if so, can they succeed in playing this bigger role in co-operation?

Neither government is likely to be comfortable with the logic of events. Prime Minister Jacques Chirac has shown more interest in co-operation with Britain, and in a strengthening of the European pillar of the Alliance than Mrs Thatcber has sbown in either subject. But the first paradox of Franco-British nuclear co-operation is that it implies a closer French rapprochement to Nato in the most sensitive area of nuclear doctrine; the second is that this ought to be a prized objective for Mrs Thatcher, who remains obsessed with the fantasy that France should rejoin Neto, but who yet prefers the fantasy to any lesser, but more practical, alternative.

FINANCIAL TIMES
Tuesday March 15 1988

David Marsh and **Andrew Fisher** report on elections facing Baden-Württemberg's premier

Canny Späth keeps an eye on Bonn

"COMPETITION BETWEEN the *Länder* (states) prodnces dynamism," says a laconic Lothar Späth, Prime Minister of the rich West German state of Baden-Württemberg, whose voters go to the polls in five days' time.

Mr Späth, 50, is a no-nonsense technocrat who has been premier for 10 years in a state which is the home of the most prosperous and (up to now) fastest growing sectors of West German industry. Unemployment – 5.1 per cent last year against the German average of 8.9 per cent – is the lowest in the country. But in the *elections on Sunday he will be* fighting to defend more than just his reputation as a canny and successful economic interventionist.

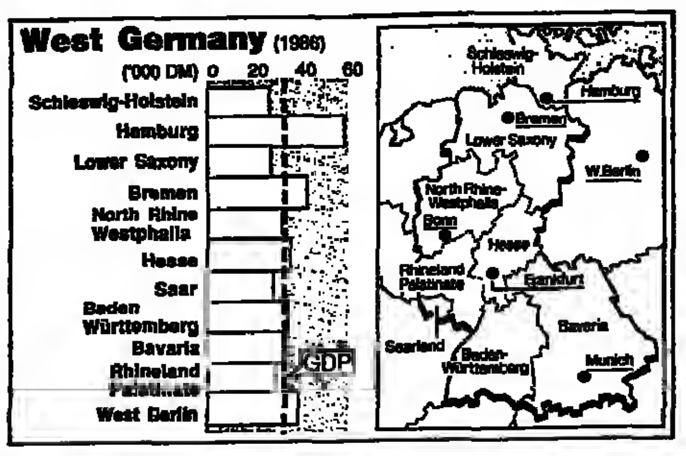
Mr Späth is one of the deputy chairmen in Chancellor Helmut Kohl's Christian Democratic Union (CDU). However, underlining the centrifugal forces constantly at work in West German federalism, Mr Späth's efforts to maintain a flourishing fiefdom in Baden Wüttermberg put him in competition not only with tbe other states but also with the central power base in Bonn.

In a recent interview in the state government's palatial turn-of-the-century haadqnarters perched high above the state capital of Stuttgart, Mr Späth, drawing briskly on a large cigar, was in good heart over election prospects.

But he spoke candidly about the potential problems facing his highly export-orientated state as a result of the fall in the dollar and growing international competition *from low-cost manufac*turers. Baden Wüttermberg is home to a clutch of companies such as Daimler-Benz, Robert Bosch, Porsche and IBM Deutschland.

These groups, along with the traditional Baden-Württemberg tissue of small and medium-sized businesses in specialised areas of machine tools and engineering, form the backbone of a state wbere per capita incomes are among West Germany's highest.

They have come to symbolise the country's high performance – but also high production costs and relative inflexibility of working practices. A research report published last month forecasting that 30,000 metalworking jobs could be rationalised away in the Stuttgart area in the next 12 years as a result of the area's over-dependence on the motor industry has dominated the local election debate.



Mr Späth plays down as "an axtreme axample" Porscbe's recent decision to bring in short-time working because of a sales collapse in the US. He says, however, that the challenges facing "the industrial site of West Germany" will increase, for instance as tha European Community moves towards a single internal market.

Stating his belief thet West German growth will be about only *1 per cent this* year compared with the Government's projection of 1.5 to 2 per cent, Mr Späth points to the difficulty in "lowering people's expectations" in areas such as pay, working hours and social security. This boils down to saying that the comfortable Baden-Württembergers will hava to prepare for tougher times.

Mr Späth mixes jauntiness with characteristic Swabian understatement. He looks like a sligbtly Machiavellian bank clerk. He has had plenty of experience at pulling the levers of political and financial power to attract to his state corporate investment, top-flight researchers, super-computers, art collections and opera houses.

All this tends to make him a confident man.

"I am relatively optimistic that we shall succeed in defending our majority," he says. The CDU has ruled alone in Baden-Württemberg with an absolute majority since 1972. It gained 51.9 per cent of the votes in the last state elections in 1984. But this time it faces a likely drop in support which would keep it in power only with a coalition partner, probably the Free Democratic Party with which Mr Kohl rules – increasingly uncomfortably – in Bonn.

Mr Späth states clearly that he would rather not head a coalition. But he concedes that his election chances have been damaged by the latest intensification of squabbling within the Bonn coalition. Mr Kohl's difficulties also bring him some compensa*tion. He received louder applause* than the Chancellor at a recent election rally, and is banking more than ever on his own personal popularity.

Mr Manfred Rommel, the long-time CDU mayor of Stuttgart, says: "If Späth can convince people that (the election) turns not on Bonn, but on Lothar Späth, then he will keep the absolute majority."

Mr Späth has played his own part in the bickering. He tends to show solidarity with Mr Kohl on key principles, but he keeps his distance when it comes to details which could lose votes.

Mr Späth angered Mr Kohl last year when he criticised – in the left-leaning news magazine Der Spiegel, of all places – the Government's tax rednction package which will cut the Baden-Wüttermberg state budget by more than DM1bn ($602m) a year from 1990 onwards.

In a bid to maintain electoral support among conservative car workers, he is trying to bargain Baden-Württemberg's support for *the Government's tax package* in the Bundesrat (upper house of parliament) for concessions from the Finance Ministry on the taxation of Mercedes cars acquired by factory staff.

He has also spoken out in the *past few* days against the Government's support for fast breeder reactors – trawling for plentiful anti-nuclear votes among ecology-minded Swabians. Underlining his worries about the sluggish economy, Mr Späth brought out a minor pre-election economic package in January based on speeding up public investment spending in the state.

He may also have enhanced his election chances last month with a well-publicised visit to Moscow to see Mr Mikhail Gorbachev. No *doubt partly reflecting the Soviet* leadership's desire to play off Mr Kohl against his own party rivals, Mr Späth was feted by the Soviet magazine Literaturnaya Gazeta as a possible future Chancellor.

Mr Späth and the industrialists in his entourage also brought home a collection of economic deals including a contract by Liebherr, a Baden-Württemberg company, to convert SS-20 missile launchers into mobile crane platforms. Mr Späth says Moscow *is discussing between 10 and 20* projects with smaller companies from his state in areas such as machine tools, the electrical sector and agriculture. He is also talking of setting up a joint management school with the Soviet Union.

If Mr Späth does badly on Sunday and the CDU is forced into a coalition on demeaning terms, some who know him well speculate that he would stand down. What would he do if he quit? "Have a good sleep," he jokes, before adding cryptically that he would not join a big company like Daimler Benz or Siemens, but take on a job involving the economy "in the widest sense."

If, on the other hand, Mr Späth manages to pull the irons out of the fire for the *CDU* next Sunday, then – with Mr Kohl's standing in Bonn at a low ebb – the tip in the Literaturnaya Gazeta would take on a new significance.

Chicago's Democratic machine running out of steam

By Stewart Fleming in Chicago

"OH, PUCINSKI" read the giant banner carried by supporters of Miss Aurelia Pucinski's campaign for the position of Clerk of Chicago's District Court in Sunday's St Patrick's Day parade.

Three Democratic candidates for the US Presidency marched in *front – Governor Michael* Dukakis of Massachusetts, Senator Paul Simon, at home in his constituency, and Senator Al Gore of Tennessee.

The parade was graphic confirmation of one of the most famous sayings of Mr "Tip" O'Neill, the former Speaker of the House of Representatives, that in the end "all politics is local."

Nowhere in the US is this more true than in Chicago. This is the city where Democratic Party bosses turned the manipulation of ethnic neighbourhood loyalties into an art, as they created the most powerful and enduring US political machine of the century.

But today Senator Simon, the 59-year-old liberal Democrat, will have to wait until Illinois' voters cast their ballots in the Democratic Party presidential primary to know whether his home state has given him a real chance of rescuing his campaign from oblivion.

For while ethnic loyalties remain the most powerful political force in Chicago's solidly Democratic white working class

"bungalow belt" and in its black ghetto, what remains of the Democratic machine can no longer deliver the city and the state even to a favourite son candidate, such as Senator Simon, in a primary election.

Mayor Richard Daley's Cook County political machine first showed cracks after the savage beatings his police meted out to delegates attending the party's Chicago convention in 1968 and finally self-destructed with the *mayor's death in 1976.*

Since then, city politics have become thoroughly divided, largely along racial lines, with the main factor being black voters turning out in force to elect black candidates.

Another factor which has changed the shape of local politics is the influence of television, a force once described by another former Mayor, Ms Jane Byrne, as "the new precinct captain."

Both factors will matter today, but they are still only part of the *story. For Senator Simon is not* the only favourite son on the Democratic ballot. He must share that advantage with Rev Jesse Jackson, the black civil rights leader who was born in South Carolina, but who first came to national prominence for his work in Chicago.

His growing appeal in the black community virtually guarantees him a strong showing, in sharp contrast to his weak third-place finish in 1984, when the black turnout was low and split.

The white vote will be split this time. A well-financed Governor Dukakis, the Spanish-speaking son of Greek immigrants, is brandishing his ethnic appeal and swamping the city with TV commercials attacking Mr Simon.

Mr Simon lacks the money to respond *in kind and charges* instead thet Mr Dukakis is trying "to buy the election, not win it."

Senator Gore, seen nationally as Governor Dukakis's main white rival, and Congressman Richard Gephardt of Missouri, whose campaign has been fading, are seen as likely also-rans here.

Illinois has a tradition of making or breaking primary campaigns. It was here in 1976 that then President Gerald Ford scored a decisive victory over Mr Ronald Reagan, giving him an edge that Mr Reagan's recovery in later primaries could not eradicate.

It was also in Illinois that the then President Jimmy Carter decisively turned aside Senator Edward Kennedy's challenge

This year, the expected solid black vote for Rev Jackson could even win the Democratic primary for him and, with it, a large slice of the 4 per cent of the delegates to the party's national convention which will be at stake. A stand-off between Mr Simon and *Mr Dukakis would increase his* chances.

Victory by a black presidential candidate in an Illinois presidential primary would be another first and one which would further enhance Rev Jackson's stat*ure as a candidate.*

THE LEX COLUMN

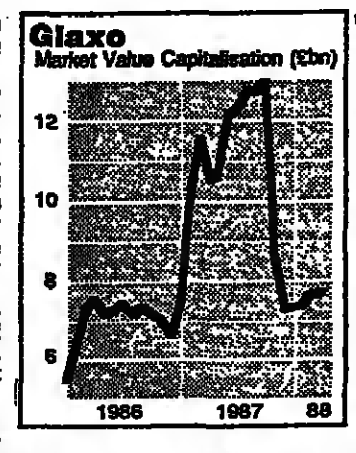
Glaxo's riper charms

If yesterday's rise in the Glaxo share price marked a turn in the group's stock market fortunes, it was not before time. Glaxo started the crash, it may be recalled, a week before everyone else, with a mishandling of its full year figures which sent the price down by 10 per cent in a day. As a nice big marketable stock, it was then kicked around in the crash itself, and more recently has been walloped by the strength of sterling as an overseas earner. It came as a relief yesterday to hear the still small voice of the chairman saying that nothing, after all, had really changed.

Despite the 90 per cent of sales overseas, the case against Glaxo has to do not with sterling, but with tha sustainable pace of organic growth: ever since GEC, the *market* has been wary of an ex-wonder stock with a cash mountain and no clear idea of what to do with it. But yesterday's interims came as a reminder that Zantac can still produce underlying growth of 25 per cent a year; and at that rate it is being ontpaced by tha group'a respiratory drugs and antibiotics.

Among tha new drugs, too, nothing has changed since the presentation last February which sent the share price up to such ruinous heights by October. The 5HT1 agonist and 5HT3 antagonist, for migraina and anxiety respectively, could be on the market in tha next two or three years, and both of those, if you believe the optimists, could rival Zantac: though neither, of course, could put the clock back and produce the same rate of growth for Glaxo overall.

With hindsight, it was Glaxo's misfortune that its move from wonder stock to mature performer coincided with, and was masked by, the excesses of the late bull market. The days of near-£14bn market value are not to be thought of again, but the reaction might just have been overdone. The stock is now on about the same rating as Fisons, and cheaper than Beecham. It is no longer a nimble newcomer like the first, nor yet a recovery stock like the second; but it is a remarkable company, for all that.



Pentland Industries

If 1986 was a jubilee year for Pentland Industries and its share price, 1987 is better forgotten. Pentland's attributabls profits, after leaping from under £1m to over £42m in just three years, fell by 11 per cent to £37.5m last year, and at 133p the shares are trading more than 50 per cent below last year's peak. With more than three qnarters of its earnings coming from its pbsnomenally successful Reebok affiliate in the US, the combination of the collapse in the US dollar plus production problems among its South Korean suppliers explains the lacklustre profits perfor*mance.* However, the ssvere under-performance of the share price over the last year reflects more deep-seated concerns about Pentland's future. There is still plenty of growth left in Reebok but Pentland's prospective multiple of under 8 is a painful reminder that however good an acquisition Pentland may make to balance its business, It is unlikely to find another Reebok.

THF/Kennedy Brookes

From its confident handling of the Kennedy Brookes acquisition one would never know that Trust House Forte was a late entrant to the takeover game. It has found a company to which it can add value, and agreed a price that enhances earnings from the outset. Much was in the timing: it waited until Kennedy Brookes was on an – albeit temporary – earnings plateau; and then made sure that it already spoke for a large chunk of the shares before talking price.

Still, the haste with which Kennedy Brookes' shareholders sold their shares yesterday suggested that the advantage was not entirely one sided. Given that Kennedy Brookes is worth less to its shareholders than to THF, the latter could afford to pay a premium rating for a company that has always traded at a discount, and leave both sides happy.

The deal does not please everyone, however. It is easy to see why the chairman Mr Golder feels his sbareholders have shown insufficient gratitude for an investment that has risen from 35p to 410p in eight years. Nevertheless, it is more difficult to conclude that they have been too quick to take the casb. Desplte its rapid growth, Kennedy Brookes is still the dilettante of the sector, and has never demonstrated that it can make the most of its acquisitions. And with gearing at nearly 100 per cent, the immediate future looked less exciting than the past.

By contrast, THF has both the sites and the cash to make the most of the Wheeler name: its International reservations systems should increase occupancy rates at the hotels; while its stronger pnrchasing power should mean improved catering margins. Sucb arguments look good on paper, and if THF's transformation of Imperial's old catering business is anything to go by they should also look acceptable on the bottom line.

Brierley Investments

Sir Ron Brierley, the founder of New Zealand's second biggest company, is having to work overtime to prove to his 167,000 shareholders that he has not lost his Midas touch. Between 1980 and September 1987 he could point to a more than 7,000 per cent increase in the value of Brierley Investments Limited (BIL) shares, whereas the local Barclays *Index* rose by a more modest 1,000 per cent. This phenomenal increase in paper valoes enabled him to play a role in the world financial markets out of all proportion to his importance, but last October's stock market crash has severely curtailed his ambitions.

For the first time for a long while, Brierley shares have been trading at a humiliating discount to net asset value. As recently as last November this was said to be NZ$3 per share; but after a more thorough analysis it has now been cut to NZ$1.23 per share, which is roughly in line with the current share price. However, Sir Ron is convinced that BIL is "at least a $2 stock" and has backed up this bold assertion with a full year profits forecast of NZ$252m for BIL. Fortunately for Sir Ron, there is plenty of scope in New Zealand accounting practices to prevent his profits forecast, as opposed to his share price prediction, from looking too foolish.

Fairfax closes two newspapers

BY CHRIS SHERWELL IN SYDNEY

JOHN FAIRFAX, the debt-burdened Australian media group, *yesterday announced the immedi*ate closure of the Sun and the Times on Sunday, two of its best-known newspapers, and a further round of asset disposals.

It is also seeking outside equity participation in the subsidiary company which publishes the Melbourne Age newspaper, bnt says it intends to maintain ownership of the Australian Financial Review and other business publications.

The decision does not rule out talks with the Pearson group of the UK, publisher of the Financial Times, which is interested in acquiring control of Fairfax's business publications.

But Fairfax has clearly decided first to seek partners in publishing tbe Age. Furtber moves depend on offers Fairfax now *receives. The company believes* the Age is worth at least A$800m ($583m). The Sun is an afternoon Sydney tabloid which competes with Mr Rupert Murdoch's Mirror. The nationally distribnted Times on Sunday is Australia's only quality Sunday newspaper.

The decisions bring the total number of newspaper closures to four since a process of upheaval in the Australian media began in 1986, when the Government changed the rules governing television and newspaper ownership. Other newspapers have been shnt down in Brisbane and Perth.

The Sun's closure, after 77 years of publication, reflects difficulties being faced by afternoon newspapers everywhere, a Fairfax statement said. It had lost 130,000 in daily circulation in the *past six years and was losing* about A$20m a year.

The Times on Sunday had failed to meet revenue or circulation targets despite content and format changes.

Abont 500 jobs will be lost, although around 130 will come from early retirements.

The group said it would review its international operations "with a view to keeping only those that fit its long-term objectives." Fairfax publishes the weekly Spectator in the UK and Ms magazine in the US.

It would also terminate ownership of three local magazines and would consider offers for certain non-publishing interests.

Canadair in talks with French over Airbus deal

By Paul Betts in Paris

AEROSPATIALE, the French state-owned aerospace group, is in advanced talks with Canadair to bring the Canadian aerospace company into the European Airbus programme as a supplier.

If the deal proceeds, Canadair, a subsidiary of the Canadian Bombardier industrial group, *would make components worth* about $1bn for the new Airbus A-330 short to medium-haul aircraft and its sister A-340 longer-haul aircraft now being developed by the European consortium.

The deal could help open the way for a major Airbus order from Air Canada.

It is mainly seen, however, as further evidence of an emerging strategy among European aerospace manufacturers to seek collaboration with companies in weak currency countries. Reducing costs has become imperative because of the weakness of the dollar in which aircraft sales are priced.

British Aerospace, another Airbna partner, has already announced that it is considering *bids from non-European compa*nies including Lockheed of the US and Daewoo Heavy Industries of South Korea for the supply of A-330 and A-340 components. Industry officials believe Canadair is also seeking work from British Aerospace.

Mr Henri Martre, chairman of Aérospatiale, confirmed yesterday that talks between the French state group and Canadair were advanced. But he said no agreement had yet been signed.

The Canadian company would participate in the A-330 programme as a supplier rather than a shareholding partner. However, it would still represent an important breakthrough for the European consortium while the Airbus is being pressed by European governments to improve its finances by agreeing to collaborate with non-European partners.

The four Airbus partner governments earlier this month formally approved talks between Airbus and McDonnell Douglas of the US. But while the McDonnell *Douglas negotiations* with the Airbus consortium are likely to prove delicate and lengthy, an industrial collaboration agreement between Aérospatiale, the French partner in the Airbus consortium, and Canadair on the A-330 *appears imminent.*

Thatcher backs Lawson

Continued from Page 1

restore calm to foreign exchange markets as the pound steadied at just above last Friday's levels after an initial surge at the opening of trading.

Foreign exchange traders, however, forecast further gains for sterling if the Budget includes as expected a forecast that the public sector borrowing requirement will remain in substantial surplus next year.

In those circumstances, the extent to which last week's differences between Mr Lawson and Mrs Thatcher will affect future policy towards the exchange rate remains uncertain. So far the pound has remained within the range regarded by Mr Lawson as acceptable following the decision to abandon the DM3.00 ceiling early last week.

Senior officials close to that decision, however, concede that he will face a dilemma if the pound continues to appreciate. *Such an rise would provide a test* of whether his differences last week with the Prime Minister has weakened Mr Lawson's control over exchange rate policy.

The Chancellor is said to be intensely irritated with the way that Mrs Thatcher has allowed the differences to overshadow what will be his most ambitious Bndget. Ha therefore appears determined to reassert his authority.

According to the officials, however, there is no specific agreement as to at what stage Mr Lawson could order a cut in interest rates to take upward pressure off the pound.

Both the Bank of England and Mrs Thatcher's advisers are thought to remain concerned about domestic inflationary pressures in the aconomy. Against that a decision to allow the pound to rise significantly would seriously undermine the already-frayed credibility of the commitment to exchange rate stability.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	16	61	Dubrovnik	F	14	57	Malta	S	17	63	Rhodes	F	15	59
Algiers	C	19	66	Edinburgh	S	3	[illegible]	Manchester	R	4	39	Rio de Jo	-	-	-
Amsterdam	S	5	41	Faro	S	18	64	Manila	F	26	79	Rome	C	14	57
Athens	C	16	61	Florence	C	16	61	Melbourne	F	17	63	Salzburg	R	6	43
Bahrain	C	26	79	Frankfurt	Sn	6	43	Mexico City	F	27	81	San Francisco	F	8	46
Bangkok	F	34	93	Funchal	S	18	64	Miami	C	23	73	Seoul	C	12	54
Barcelona	F	13	55	Geneva	F	10	50	Milan	S	15	59	Singapore	F	32	90
Beirut	C	18	64	Gibraltar	F	19	66	Montreal	C	6	43	Stockholm	F	-3	27
Belfast	R	4	39	Glasgow	F	3	37	Moscow	C	-2	28	Strasbourg	C	8	46
Belgrade	C	10	50	Guernsey	C	9	48	Munich	C	5	41	Sydney	F	20	68
Berlin	C	5	41	Helsinki	Sn	0	32	Nairobi	F	30	86	Taipei	-	-	-
Biarritz	C	11	52	H Kong	C	26	79	Naples	C	14	57	Tangier	C	17	63
Bombay	S	30	86	Innsbruck	F	7	45	Nassau	C	28	82	Tel Aviv	F	16	61
Bordeaux	F	12	54	Inverness	S	3	37	New Delhi	C	28	82	Tenerife	C	21	70
Brussels	70	8	46	Islamabad	C	22	72	New York	C	18	64	Tokyo	S	18	64
Budapest	C	2	36	Istanbul	C	12	54	Nice	S	14	57	Toronto	Sn	-5	23
B Aires	C	22	71	Jakarta	R	31	88	Nicosia	F	17	63	Tunis	S	23	73
Cairo	F	22	72	Jersey	C	9	48	Oporto	F	13	55	Valencia	F	14	57
Cape Town	F	22	72	Jo'burg	F	26	79	Oslo	S	0	32	Venice	S	11	52
Caracas	C	27	81	Lima	C	26	79	Paris	C	9	48	Vienna	Sl	1	34
Casablanca	C	17	63	Lisbon	C	19	66	Peking	S	14	57	Warsaw	Sn	-1	30
Chicago	Sn	-1	30	London	C	7	45	Prague	Sn	-1	30	Washington	C	2	36
Cologne	R	2	36	Los Angeles	F	26	79	Reykjavik	C	1	34	Zurich	C	7	45
Copenhagen	Sn	3	37	Luxembourg	R	6	43								
Corfu	S	15	59	Madrid	F	10	50								
Dallas	-	-	-	Majorca	C	13	55								
Dublin	R	9	48	Malaga	S	20	68								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Hachette targets US market with Grolier bid

Continued from Page 1

mann, and Addison-Wesley by Pearson of ths UK which also owns the Financial Times.

Grolier said yesterday it would consider Hachette's offer at a board meeting expected later this week. Grolier shares had jumped $8½ to $24 by noon yesterday or $3 above the bid value.

The logic of Hachette's offer seems clear. A number of European publishers have sought a base in the large and lucrative US market in recent years. It feels it would be strengthened by the combination of its range, including l'Encyclopédie Générale, with Grolier's collections snch as Disney's Wonderful *World of Knowledge.*

Europeans plan chip research

Continued from Page 1

only 0.3 microns (thousandths of a millimetre) wide. That is one third of the circuit width on the most advanced chips now in full commercial production.

Snch miniaturisation will require important advances in computerised design systems and materials and the development of highly precise equipment to *mass-produce the chips.*

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday March 15 1988

Pickens drops offer for Homestake

BY JAMES BUCHAN IN NEW YORK

MR T. BOONE PICKENS, the Texas stock raider, yesterday abruptly dropped a proposal to buy Homestake Mining for $1.95bn and added to Wall Street's growing suspicion that he is in the business of announcing takeover bids only to make short-term stock profits.

Mesa Limited Partnership, the gas partnership which Mr Pickens controls, said it was dropping its offer to acquire the largest US gold producer for $20 a share, after Homestake rejected the approach a week ago.

The announcement, which sent Homestake stock tumbling $1½ to $14¾ in heavy trading, was not unexpected but it exasperated Wall Street.

Analyst and professional takeover speculators – arbitrageurs – say that the pull-out confirms that Mr Pickens was simply out for a short-term gain on the 3.8 per cent of Homestake he controlled.

Homestake traded as high as $19 after the proposal.

Mr Lincoln Werden, an analyst at Thomson McKinnon, said that Homestake was too unprofitable to make a highly leveraged Pickens takeover possible.

"The takeover arithmetic just did not work out. Those of us who follow his deals could see that the only thing he was interested in was security profits or capital gains, for want of a better term."

Mr David Batchelder, a partner in Mesa, refused to comment.

Analysts point out that Mesa, which became famous for audacious raids on the stock of big oil companies in the early 1980s, has not made a large takeover in years.

However, it desperately needs $90m in capital gains each year because its depressed gas business cannot cover the company's dividend payments.

In the past year, Mesa has announced interests in Singer, Boeing and Texaco and made an unsuccessful offer for Newmont Mining, but these raids are believed not to have yielded much profit.

Pickens: short-term gains

R H Macy raises stakes in struggle for Federated

BY OUR NEW YORK STAFF

FEDERATED DEPARTMENT Stores, tha US department store chain under siege from R. H. Macy and Campeau, was yesterday studying an improved friendly offer from Macy's of New York as the struggle ontered what could mark a decisive phase in the stock market and the courts.

The new Macy's offer, which is expected to be an improvement on its near $6bn bid in cash and sacurities, which Federated already favours, was being studied by Federated's board yesterday as both bidders jostled for position before a crucial afternoon court hearing.

Judge Leonard Sand is presiding over hearings in New York over a Macy's lawsuit against the Campeau offer, which alleges that Campeau, the Toronto-based retailing and real estate group, is trying to stampedo Federated's stockholders into accepting its offer, which is worth about the same as Macy's, but is all in cash and in two stages.

Campeau has in turn sued Federated to remove its poison pill defence against hostile takeover.

The group yesterday extended its offer, due to close on tomorrow night, until Friday. The group is keen to remove any suggestion it is pressuring the court.

With the two offers thought to be neck-and-neck in value, the outcome of the battle has become an issue of timing.

Campeau, which raised its offer on March 2 to $75 cash a share for 80 per cent of Federated and $44 for tha remaindor, launched its bid before Macy's, which is offering $74.50 in cash for 80 per cent and securities for the rest.

Because tho Campean hid closes first, those stockholders who favour Macy's and do not tender to Campeau, risk being sqneezed out. However, thoy could find Campeau succeeds all the same.

However, the court hearing, which will turn on complex issues of securities regulation, could remove Campeau's advantage.

Pepperell tops latest offer for J P Stevens

By Our New York Staff

BIDDING for J.P. Stevens escalated rapidly yesterday when an agreed offer for the US textiles company from a New York leveraged bnyont specialist was quickly topped by a revised bid from West Point-Pepperell, one of Stevens' main competitors.

Stevons' board accepted the $61½ a share cash offer, worth $960m, from Odyssey Partners, which was formed in 1982 by Mr Leon Levy and Mr Jack Nash after they sold their controlling interest in Oppenheimer & Co, a small Wall Street firm.

The board rejected a management buyout led by Mr Whitney Stevens, chairman, which had recontly been raised to $40 a share in cash and $15 in paper from an initial $38 and $5.

Within hours of the announcement, however, West Point-Pepperell counter-attacked by revising to $62¼ the $56 a share offer it made early this month. By lunchtime yesterday, Stephens' share price had risen $5 to $61.

The West Point attempt to buy Stevens has surprised the target company and Wall Street because of potential anti-trust problems.

Trusthouse Forte pays £173m for UK hotel/restaurant chain

BY DAVID WALLER IN LONDON

TRUSTHOUSE FORTE, one of the world's largest hotel groups, yesterday afternoon won control of Kennedy Brookes, the fast-growing UK hotel and restaurant company, hours after announcing the terms of an agreed £173.6m ($306m) takeover bid.

THF ended the day with with 52.15 per cent of Kennady Brookes' shares after Phillips and Draw, THF's newly appointed stockbrokers, went into the market and bought 16.2m shares at prices ranging from 400p to the offer price of 410p.

Tha swift completion of the acquisition comes in the face of a hoardroom rift at Kennedy Brookes. Mr Michael Golder, the Kennedy Brookes chairman and architect of its growth since it joined the stock market eight years ago, refused to recommend the bid.

"The City of London is taking a short-term view," he claimed yesterday. "The best thing for the company would be for it to remain independent. It has gone through a difficult patch and the results hava yat to show through."

He said his stand was more a matter of principle than price. Speaking for only 3 per cent of the shares, he was powerless to stop the board recommending the bid after it emerged during negotiations last week that the Barclay brothers, with 12.1 per cent of the equity, approved of the transaction.

The brothers, well-known investors, emerged as significant shareholders after they sold two hotels to Kennedy Brookes last October in the week after the stockmarket crash.

THF's purchase follows an approach to the Brookes board last Thursday and a weekend of talks between the two parties. It gives THF two of London's best-known restaurant chains, Wheeler's and Mario and Franco, and a total of 1,800 rooms in 22 hotels.

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Husky Oil eyes stake in Texaco Canada

By Robert Gibbens in Montreal

MR ROBERT BLAIR, co-chairman of Husky Oil, has confirmed the company is ready to offer between C$2.4bn and C$2.7bn (US$1.9bn and US$2.1bn) plus further incentives for Texaco's 78 per cent interest in Texaco Canada.

He said that although Texaco had so far refused to sell its Canadian affiliate, there was still room for discussion. Texaco plans to sell abont C$3bn of assets in the wake of its settlement with Pennzoil.

Mr Blair said Husky – which is jointly controlled by Nova, the Alberta energy group also headed hy Mr Blair, and Hong Kong interests – would settle for 51 per cent of Texaco Canada.

Canadian Occidental Petroleum has also expressed interest in the unit and a third potential bidder may be in the wings.

According to reports, Husky would also offer Texaco a cash infusion of US$1bn to help persuade it to sell a majority interest of Texaco Canada. Texaco had no comment yesterday.

American Standard looks at $2.4bn bid

BY RODERICK ORAM IN NEW YORK

AMERICAN STANDARD'S hopes of remaining independont appeared to be fading quickly yesterday after it annonnced it was discussing its takeover at a price of more than $75 a share, or $2.4bn.

The US maker of plumbing and air conditioning aquipmant, which has been fighting a six-week battle against a hostile bid from Black & Decker, declined to give the identity or number of potential bidders. Its shares rose $1¼ to $74⅞ in early trading.

Black & Decker, the US power tools group, received the same information from American Standard as other bidders and was invited to submit its own offer. Black & Decker had no immediate comment on whether it was negotiating or would raise its earlier $73 a share offer which expires at midnight on Friday.

Black & Decker had opened the bidding in late January with an offer of $56 a share, compared with a trading price of about $37 shortly before the announcement. American Standard fought back with a highly ambitious recapitalisation plan worth between $71 and $73 a share.

But the plan was based on an extremely high level of borrowing which would have left the company with substantial negative net worth.

Sun and LSI in technology link

BY LOUISE KEHOE IN SAN FRANCISCO

SUN MICROSYSTEMS, the fast-growing computer workstation company, and LSI, the big US semiconductor manufacturer, are today expected to announce a technology and marketing pact.

The deal could boost American Telephone and Telegraph's joint effort with Sun to establish its Unix operating system as a standard for the next generation of computers.

The agreement is understood to provide LSI Logic with rights to manufacture and market Sun's Sparc microprocessor, a reduced instruction set (Risc) microprocessor capable of fast computing.

Sun, which uses Sparc in its latest high-performance workstations, aims to make Sparc, along with AT&T's Unix operating system, an industry-wide standard.

As the leading manufacturer of semi-custom chips, LSI is an important convert to the system.

An important element of the company's strategy has been to establish strong multiple semiconductor sources for Sparc to persuade other, sometimes competing, computer makers to adopt its microprocessor.

Although Sun has licensed three other chip manufacturers to make different versions of Sparc, the microprocessor has so far lacked the backing of a US "heavyweight" chip maker.

Only six months ago, LSI Logic agreed to manufacture and market a competing Risc microprocessor designed by MIPs Computer Systems. The future of that arrangement is now unclear.

Unlika most microprocessor designs, Sparc can be made using different semiconductor processes to produce chips of varying performance.

Using its advanced CMOS process technology, LSI Logic is expected to double the current performance of Sparc.

Charter Medical buyout offer increased

BY OUR NEW YORK STAFF

CHARTER MEDICAL, an operator of psychiatric and general hospitals, has received a revised buyout proposal from Mr William Fickling, its chairman, and other senior managers.

The new offer is $30¼ in cash and $7 principal amount of a junior junk hond per share, worth in total about $1.2bn. Charter's A class shares rose $2¼ to $31 following tha announcement.

The management had originally made a $40 a share all-cash bid last autumn but cut this to $28 cash and $5 in junk bonds following the October market crash.

Charter Medical, which is based in Macon, Georgia, said it was still negotiating with the buyout group, WAF Acquisition, on certain conditions. "There can be no assurance that a definitive morger agreement will be signed," it said.

Aga plans to sell tool steel side for SKr580m

BY SARA WEBB IN STOCKHOLM

AGA, THE Swedish industrial gas group, has agreed to sell its tool steel operations for SKr580m ($98m) to a consortium consisting of Charterhouse Bank of the UK, Merchant Fondkommission, a Swedish brokerage, and Trustor, a private industrial company based in central Sweden.

Aga has for several months been looking for a buyer for its troubled tool steel operations. These consist of Uddeholm Tooling, which provides tool materials and products for cutting and moulding processes in the specialty sector, and ASSAB, a marketing company for high-grade specialty steel.

Aga's tool steel operations have shown weak profits in the past couple of years, dropping from SKr127m, after financial items, in 1985, to SKr50m in 1987. Sales fell from SKr2.38bn in 1985 to SKr2.13bn last year.

The tool steel operations suffered from production stoppages, weak market conditions, and the lower dollar in 1987.

The consortium of buyers will set up a new company called Uddeholms, which they hope to list on the stock exchange within a couple of years, provided the company can be turned round.

According to the agreement, Merchant Fondkommission will place 56 per cent of the shares with Swedish institutional investors, while Charterhouse will seek to place their 20 per cent with international buyers.

Trustor said that it intends to keep its stake in Uddeholms with 12 per cent of the capital and 68 per cent of the votes. It believes that it can improve Uddeholms' performance by seeking joint venture agreements in the US, where it claims to have a 13 per cent market share, and by finding niches in the market for superior quality steel.

Uddeholm Tooling has 14 sales companies in the industrialised countries while ASSAB concentrates its activities selling specialty steel in Asia, Australia and Latin America.

Uddeholm has a world market share of about 9 per cent and is the leading supplier of tool steel in the Nordic countries. Its main customers are in the automotive, electronics and appliance industries. Its main competitors are Thyssen of West Germany, Hitachi of Japan, and Vereinigte Edelstahlwerke of Austria.

Aga bought Uddeholm for SKr2.5bn in 1984 when the company consisted of steel tooling, hydropower, stainless steel and pulp and paper interests.

Nobel Industries expands 35%

BY OUR STOCKHOLM STAFF

NOBEL INDUSTRIES, the Swedish armaments and chemicals group, has lifted profits, after financial items, by 35 per cent to SKr622m ($105.4m) for 1987, with strong improvements in pulp and paper chemicals, adhesives and paints, and fine chemicals and explosives operations.

Group sales increased by 21 per cent to SKr13.92bn and the board has proposed raising the dividend from SKr1.95 to SKr2.5.

The pulp and paper chemicals division showed a 68 per cent increase in profits to SKr163m, while sales rose by 9 per cent to SKr1.298bn as the recovery of the pulp sector led to strong demand for pulp and paper bleaching chemicals. Prospects for this division in 1988 appear favourable as analysts expect demand for pulp to stay firm.

The adhesives and paints division reported a 36 per cent increase in sales to SKr4.16bn, while profits rose by 16 per cent to SKr324m. The group said that demand from the Nordic region and Western Europe was strong last year, but that much of the increase in sales had come from acquisitions made in 1986 and 1987, in France, Italy and Denmark.

Bofors, Nobel Industries' ordnance division, showed a 27 per cent increase in sales to SKr3.74bn, due chiefly the SKr8.4bn order received in 1986 from the Indian Government for complete artillery systems.

However, the group said profits after financial items for this division were unchanged at SKr353m because interest income had declined on the advance it had received for the Indian order.

The fine chemicals and explosives division improved profits from SKr7m to SKr47m while sales increased by 8 per cent to SKr955m.

Skanska tightens grip on rival

By Our Stockholm Staff

SKANSKA, THE largest construction company and biggest private-sector property owner in Sweden, has tightened its grip on JM, a real estate rival, in a deal worth about SKr620m ($105m).

Skanska agreed to buy a stake in JM from Marieberg, a Swedish publishing and newspaper group, which corresponds to 22 per cent of the share capital and 27.7 per cent of the votes in JM.

This means that Skanska controls 82.3 per cent of the votes and 64.4 per cent of the share capital in JM.

Folksam and Wasa, two Swedish insurance groups, hold a further 20 per cent of the capital and 10 per cent of the votes between them, and the remaining JM shares are owned by small shareholders. Last March, Skanska and Folksam entered a bidding battle for control of JM which Skanska succeeded in winning.

Skanska, which has annual sales of about SKr16.7bn and profits of about SKr1.7bn, said it would consider making a bid for the outstanding shares.

It believes that the Swedish construction sector, which has recently seen a boom in activity, could benefit from mergers between the main companies.

John Wyles on the step-down by Mediobanca's chief

Cuccia loosens the reins

MEDIOBANCA, Italian industry's fulcrum financier for the past 40 years, has moved towards a new era which will see 75 per cent of its capital in private hands and the "retirement" of its creator, the formidable Mr Enrico Cuccia.

At yesterday's shareholders meeting, Mr Cuccia stood down from a Mediobanca board which has always allowed him extraordinary freedom of movement, first as managing director for more than 30 years and then as a director with apparently extensive powers of direction.

Cynics, nonetheless, believe that his influence on decision-making in Mediobanca's stately palazzo in Milan's Via Filodrammatici could still be substantial and were not surprised last night that he accepted an invitation to become its honorary president.

By electing the new 19 member board and changing various statutes, the shareholders' meeting marked Mediobanca's formal metamorphosis to a private company in which the state's holding, through three IRI-owned banks, will fall from 56.9 per cen to just 25 per cent. Ownership, however, has always been a less crucial factor in Mediobanca's strategies than Mr Cuccia's vision of what Italian capitalism has needed during its rapid post-war development.

Throughout this period, he used the bank's financial strength as a source of medium-term capital to finance the growth, development and international expansion of Italy's leading companies, from Olivetti to Montedison, from Fiat to Pirelli.

Enrico Cuccia: his influence could remain substantial

In times of trouble during the 1970s he stood by with useful therapies such as the Libyan purchase of a large shareholding in Fiat in 1976 and the nationalisation and then re-privatisation of Montedison. Rizzoli, Mondadori, Zanussi and many others have all had a Cuccia hand on their destiny at some time or other.

With a small Mediobanca stake in all of tha leading companies, he encouraged the incestuous network of interlocking shareholdings which at times has given the likes of Mr Gianni Agnelli and Mr Leopoldo Pirelli powers of veto over corporate strategies and over new entrants to "Cuccia's club." He even gave a privately select group, including Mr Agnelli, Mr Pirelli and Lazard Frères equal rights of decision-making with the state banks on the Mediobanca board, although the privateers held less than 6 per cent of its capital.

In 1978, he told a highly bemused Senate committee that "I am like a centaur, half man and half horse - you decide which is public and which private." Though studiedly equivocal, this statement amounted to almost indecent public exposure by a man who has always refused to talk to the media.

This has left journalists free to create their own Mr Cuccia who is part banking wizard in the mould of Mr André Mayer of Lazard and of Mr Sigmund Warburg and part diabolical schemer, not always in touch with the world around him.

Though generally regarded as a man of integrity, there have been doubts about his judgment and understanding of modern markets. Mediobanca has been slow to respond to the new competition for investment finance posed by mutual funds and other intermediaries. It no longer dominates corporate financing in Italy, although in 1985-86 it was still involved in guaranteeing placaments worth L7.75bn ($6.3m).

The bank has found profits harder to come by in the last 18 months. They dropped by 34 per cent to L113bn in the 12 months to June 30 1987 and they were down by 9.7 per cent in the second half of 1987 compared to the first half of 1986.

DnC heads back to banking basics

Hit badly by last October's stock market crash, Norway's biggest bank has been forced to tighten its belt drastically. **Karen Fossli** interviews Mr Arnkvaern (left), caretaker managing director.

MR HARALD ARNKVAERN, caretaker chief executive at Den norske Creditbank (DnC), Norway's largest bank, which last month announced a radical shake up of top management following huge losses for 1987, does not believe profits can recover this year to previous levels.

Mr Arnkvaern is pessimistic, in spite of far-reaching restructuring and belt-tightening last month, when the bank appointed its new board and chairman.

Although Mr Arnkvaern's appointment was described as "interim," until a permanent replacement to Mr Leif Terje Loeddesoel, the former chief executive, is named, he has the full backing of the DnC board to do what it takes to restore order to the bank. His performance so far appears to have impressed executives at DnC. Few believe Mr Arnkvaern will be replaced but, if so, it would probably happen within a month.

Mr Arnkvaern could be a tough act to follow. Soon after he moved into DnC, he won unequivocal support from the bank's 45-member supervisory board for his proposal that DnC return to traditional banking practices and turn its back on his predecessor's strategy of aggressive diversification.

The new president says his plan does not call for DnC to become a savings bank, although it does call for a significant reduction in the group's share and loan portfolios, which had soared during recent years and ultimately became the cause of DnC's losses.

The main objectives of Mr Arnkvaern's plan to get DnC back on track include restoring confidence in the bank; strengthening its equity capital; achieving an operating profit which will permit an accumulation of reserves; and reducing assets while increasing the bank's "freedom of action."

Although international operations will be scaled down to become more market-oriented and representative offices will be closed, only about 300 jobs will be cut, from 6,000 worldwide.

Last November, DnC shelved plans to launch a Frankfurt offshoot which was to have focused on capital markets activity.

The bank's securities portfolio will be reduced to NKr500m ($79.3m), from a high of NKr1.2bn in 1987. At the same time, foreign exchange business is to be reduced by 25 per cent and property investment is to be pared back by NKr300m to NKr500m. Foreign exchange business saw no growth in 1987, after a fourfold increase since 1984.

Mr Arnkvaern's package also calls for the sale of loans with long maturities in the order of NKr2bn to NKr3bn to institutions specialising in long-term financing.

Bank branches will be expected to perform better. They will be required to achieve profits corresponding to a minimum of 1.75 per cent of total assets after apportioning costs. The Norwegian branch network is to be reorganised and rationalised. Main corporate client specialist functions will be limited to large branches, while service functions are to be made more efficient.

To avoid surprise losses, a central unit has been established to help branch offices identify commitments with potential losses at an early stage.

DnC's ability to identify such losses will become a key issue for Norway's Banking, Insurance and Exchange Commission, which has criticised the bank for lacking strong internal controls and has ordered it to monitor its loan book and share portfolio as a matter of routine.

Other critics have claimed that the globalisation policies amounted to little more than gambling.

Mr Arnkvaern has taken a fine-toothed comb to DnC to identify the areas where risk must be reduced, if need be at the expense of curbing growth.

For the second consecutive year, DnC is having to pass its dividend; it decided in early January that 1987 performance would not justify a payout to investors. In 1986, profits slipped to NKr327m, from NKr583m the previous year, largely because of the sharp downturn in the offshore petroleum industry to which DnC was heavily exposed.

Provisional figures for 1987 show that DnC suffered a loss of NKr1.5bn, of which losses on securities business totalled NKr800m; and provisions of NKr1.2bn will be charged for losses, on loans and guarantees.

First fall since 1966 at Brierley

BY DAI HAYWARD IN WELLINGTON

THE STOCK market crash sent the value of Brierley Investments' share portfolio plunging from a gain of NZ$825.6m in June 1987 to a loss of NZ$845.3m in December, causing a fall in profits for the first time since 1966.

After writing off NZ$92m in unrealised losses, the New Zealand-based international investment company has recorded a tax-paid profit of NZ$75m for the six months ended December. This is 44 per cent down on the NZ$135m for the same period last year.

However, Brierley executives predict a full-year profit of at least NZ$250m, after writing off all residue effects of the crash. Mr Bruce Hancox, the deputy chairman, said: "This will still be a pretty good result – indeed, much better than many other companies."

To support this confidence, the company presented an updated balance sheet for February 29, which Mr Paul Collins, chief executive, said was of more relevance than the half-year figures.

This showed that the value of the share portfolio had already improved by NZ$276m, reducing the loss on purchase price to NZ$569m. Mr Collins is confident share prices will improve further over the next few months.

The February balance sheet includes the results of Brierley's sale last week of Winstones, Consolidated Metal Industries, and its 15 per cent stake in Petrocorp to Fletcher Challenge. It shows an eight-month profit of NZ$179m.

The December NZ$75m net profit came entirely from New Zealand operations. Although Brierley's two international arms, Australian-based Industrial Equity and the Hong Kong company, Industrial Equity (Pacific), both made a profit, the parent company's share was effectively offset by the increased value of the New Zealand dollar.

Mr Collins described the Industrial Equity result as "very disappointing." The crash exposed some weaknesses because the company had drifted from its founding principles of identifying and developing opportunities with sound asset values.

In December, the Australian company held shares in 136 stocks. Of these, 106, considered expendable, had a book value of A$262.3m and a market value of A$175.1m. The total book value of all 136 shareholdings was A$1.36bn and market value A$1.25bn. Thirty of the stock holdings are regarded as permanent holdings. Industrial Equity has a 40 per cent controlling interest in Woolworth's and a right to board representation. The report says it is appropriate to carry the holding although the market value at December 31 was A$205m, compared to the purchase book value of A$350m.

The Hong Kong-based Industrial Equity (Pacific) recorded a net profit for the half year of HK$668m compared with HK$143.9m. This included for the first time results from the British Motor Company, Tozer, Kemsley and Milbourn (Holdings), a 52 per cent-owned subsidiary of IEP. The results did not include the recent sale of the US retail store chain, the Higbee Company.

Brierley will maintain its objective of paying a 20 per cent dividend. This year it will be 10 cents a share. An interim dividend of 4 cents was declared.

Chemical of Malaysia result tops projections

By Wong Sulong in Kuala Lumpur

CHEMICAL COMPANY of Malaysia, which now controls the entire Malaysian operations of Imperial Chemical Industries of the UK, earned pre-tax profits of 35.5m ringgit (US$13.9m) for the 15 months to last December on turnover of 521m ringgit.

The results are not comparable with the previous period because the group changed its year-end to coincide with its UK parent and because of the restructuring in October 1986, which placed all ICI Malaysian operations under the listed CCM. However, the directors say profits exceeded earlier projections.

The group's agrichemicals, fertilisers and industrial subsidiaries performed well, more than compensating for the shortfall of the paints subsidiary.

CCM said the Malaysian economy was expected to grow further in 1988 and business confidence was improving in most sectors. It expects improved profits for the current year. A final dividend of 13 cents on the enlarged capital of 89m ringgit makes a total of 20 cents for the period.

Mandarin Oriental beats profit forecast by 29%

BY DAVID DODWELL IN HONG KONG

MANDARIN ORIENTAL International, the Hong Kong-based hotels group hived off from Hongkong Land in the middle of last year, yesterday reported profits of HK$244.6m (US$31.4m) for 1987, after tax and minority interests.

The profit was almost 29 per cent higher than that forecast in the prospectus published at the time of the Mandarin'e public flotation, but was in line with recent market predictions. The profits leap was due to "increased business in all hotels and significant operational efficiences."

Mr Peter Tyrie, the group's managing director, confirmed yesterday thet the group was "aggressively looking" for hotel acquisitions in various "gateway cities" in Europe, the US and Asia, but claimed that no deals were imminent.

The group is one of a number tendering to develop County Hall, the former headquarters of the Greater London Council, on the South Bank of the Thames. Tenders close on April 5, with the successful bidder likely to be known in June.

Mandarin Oriental's turnover in 1987 amounted to HK$753m, up some 30 per cent on the HK$580m of 1986. Over 90 per cent of turnover, and of operating profit, was generated in Hong Kong by the group's flagship Mandarin Hotel and by the Excelsior Hotel, both of which boasted occupancy rates averaging 90 per cent or higher last year.

Mr Tyrie noted, however, that hotels outside Hong Kong earned HK$43m – about 20 per cent of pre-tax profits – compared with a negligible contribution in 1986. Most of this improvement came from the Oriental Hotel in Bangkok, in which the group has a 49 per cent stake, although Mr Tyrie claimed that all overseas hotels were in profit.

This excluded the group's recently-opened hotels in Singapore and San Francisco, both of which are put in a special "start-up" category by the group. These are predicted to come into profit "within a couple of years."

At the end of 1987, the group revalued its properties, providing a net surplus to capital reserves of HK$1.1bn. These reserves now stand at HK$3.3bn.

Group debt stands at less than HK$200m, according to Mr Colin Wearmonth, the Mandarin's finance director. This provides scope for future acquisitions to be financed by means of borrowing, Mr Tyrie added.

The group's board is recommending a final dividend of 14 cents per share, which is the total for the year, since no interim payout was made.

Bank Hapoalim launches economy drive

BY ANDREW WHITLEY IN JERUSALEM

BANK HAPOALIM, the largest Israeli bank, has launched a programme of economies in its overseas offices, closing two branches and a representative office, including its prestigious City of London branch. Starting yesterday, all Bank Hapoalim's London business will be concentrated in its reorganised West End branch.

At the same time, its arch-rival in Israel, the venerable Bank Leumi, has announced an early start to property disposal within Israel. The action was foreshadowed last week during the presentation of its annual results.

A Bank Leumi spokesman said yesterday that unutilised buildings valued at approximately $20m would be put up for sale as from next Sunday. The transactions, which will include vacant office space and planned new branches, are likely to represent the bulk of the sale of fixed assets envisaged for this year.

Under unrelenting pressure from the Bank of Israel to streamline their once-bloated operations, all Israel'e commercial banks have been looking for new ways of cutting down on overheads and reducing labour costs.

At the Labour Federation-owned Bank Hapoalim, apart from the City branch, a branch in the Queens district of New York has been axed, along with a representative office in Paris. Altogether the cuts are expected to produce annual savings in the range of $1.25m.

Sun Hung Kai ahead despite provisions

SUN HUNG KAI and Co., the Hong Kong financial services group which last year broke off a five-year association with Merrill Lynch, has reported 1987 net profits of HK$145.8m (US$18.7m), compared with HK$121m in 1986, David Dodwell reports.

The profit was logged after provisions of HK$186.3m linked with doubtful loans following the October stock market crash.

In August the company reported first-half profits of HK$133.7m, indicating a second-half contribution of just HK$12m. Second-half profits would have been around HK$200m if no provisions had been necessary.

Extraordinary profits were HK$34.5m, mostly dne to the recovery of doubtful loans predating 1987, against an extraordinary gain of HK$72m in 1986.

Abercom sells Davidson

BY JIM JONES IN JOHANNESBURG

ABERCOM, the South African engineering company, is selling its loss-making Davidson Fan unit and concentrating its operations in South Africa.

Turnover increased to R39.2m ($18.3m) in the six months to December 1987 from R27.8m, restated to exclude Davidson, in the same period of 1986.

Trading profit before interest and tax rose to R3.2m from a restated R1m while pre-tax profit amounted to R3m. In the last full year, published turnover, including Davidson, totalled R246m, trading profit was R9.8m and pre-tax profit R7.8m.

First-half earnings were 15 cents a share against a restated 5 cents and the interim dividend has been maintained at 6 cents. A total of 15 cents was paid for the last full year.

Swedish turnover tax under fire

BY SARA WEBB IN STOCKHOLM

THE DECISION by Mr Kjell-Olof Feldt, the Swedish Finance Minister, to impose a new turnover tax on money market instruments and options next year has drawn widespread criticism from the country's central bank, National Debt Office, commercial banks and brokers, all of whom claim that the tax will handicap the markets.

When the Finance Ministry first put forward the idea of a turnover tax, it sent its proposals to the large institutions and asked for their opinions.

Out of the 37 institutions and offices consulted, 35 warned against introducing the tax because of fears that it would hurt the interbank, options and stock markets. Only the unions were in favour.

"The whole exercise was rather pointless. Nobody paid any attention to the criticisms," says Mr Anders Kvist, head of treasury operations at the Göta group.

"Over the last few years, we have seen a stepwise deregulation of the Swedish banking market, the beginning of easing of currency regulations and restrictions on foreign investment – but this new tax is a step in the opposite direction," says one options broker.

Some brokers are even considering staging a protest strike in June, to coincide with an international stock market conference, in order to draw attention to their anger over the measure.

The new tax, which been dubbed the "finance puppy tax" ever since the leader of the Trade Union Confederation referred to Sweden's financial players as the "finance puppies," will be presented to parliament later this spring and introduced in January 1989.

The proposed new tax rates are:

- A maximum of 0.03 per cent on money market instruments, bonds and premium bonds;
- 2 per cent of the premium for interest rate options (1 per cent on buying and 1 per cent on selling);
- 0.3 per cent on the premium for index options and futures; 4 per cent on the premium for share options;
- 1 per cent for stockbrokers trading shares on their own account (0.5 per cent on buying, 0.5 per cent on selling).

Previously, stockbrokers trading on their own account did not pay turnover tax, whereas since July 1986 a turnover tax of 2 per cent has applied on other stock market transactions.

Mr Bengt Johansson, Minister with special responsibility for wages and banking matters at the Finance Ministry, said yesterday that the main purpose of the new tax was to dampen fluctuations and help to provide more balanced development in the financial markets.

"The financial markets need to cool off a little," he told a Social Democratic Party meeting yesterday. He pointed out that Sweden would not be alone in having such a tax; Switzerland, West Germany and Japan also have this type of tax.

"The growth of the Swedish economy and deregulation of the money market and credit market have greatly favoured those companies which trade in the markets, and it is therefore fair that traders and money market brokers should pay tax," he said. It was only fair to widen the tax to cover other instruments

Kjell-Olof Feldt, the Swedish Minister of Finance

The tax is expected to raise about SKr1bn ($169.2m) and will help to top up pensions, which were hit by the 1982 devaluation.

However, critics of the tax point to the fact that there will be an election in September and that the Government is keen to secure the votes of pensioners as well as of trade union members, whose leaders have been told to keep wage increases down this year and whose resentment of the well-healed players in the financial markets is barely disguised.

"This tax has purely political motives," says Mr Kvist.

Already, those in the market are warning that the new tax will have a detrimental effect. Even the central bank voiced its concern – though the bank's memorandum, somewhat confusingly, is signed by Mr Erik Asbrink, who is not only the chairman of the bank's board but also Under-Secretary at the Finance Ministry and one of the supposed architects of the tax proposal.

This has led many to suggest that even the Finance Ministry is fully aware of what effect the tax will have, but that pressure from the unions has overridden this.

"The money market will be less efficient and since the tax will reduce the liquidity, it will not be easy to sell and buy paper," according to Mr Anders Rydeman at the central bank, who warns that this will actually help to increase interest rate fluctuations.

At present, banks and financial institutions act as intermediaries in the money market because they know it is easy to offload paper quickly even at the same price they paid for it. Once the tax is totroduced they will need to wait for a wider spread, so that the number of intermediaries in the chain will probably decrease.

Already, there have been suggestions that the financial players will have to start cutting costs.

Unlike post-crash London and New York, Stockholm has not witnessed mass sackings. The Swedish yuppies have never been paid as much as their London counterparts because of the high income tax levels to Sweden, but instead they enjoy a greater degree of job security.

Now, job cuts may have to come in the trading rooms. "If the level of trading drops, the first things likely to go are the extra terminals," says Mr Kvist.

Six dealers drop subordinated FRNs

BY STEPHEN FIDLER AND CLARE PEARSON

FRESH PROBLEMS have emerged in floating-rate notes and at least six dealing firms have withdrawn as market-makers from an important sector of the market.

The six stopped quoting prices last week to other dealers for subordinated floating-rate notes issued by banks. That left 11 now undertaking to make a market to the issues, two of which do not cover the whole of the sector.

Most of the withdrawals, which are not likely to lead to job losses, came amid very volatile market conditions last week. In an attempt to calm the market yesterday, the remaining firms agreed to widen dealing margins – the spread between bid and offered prices – to 0.25 percentage points from 0.1.

The dealers which said they had withdrawn or suspended market making in the issues were Fuji International, Goldman Sachs, JP Morgan Securities, Sanwa International, UBS Securities and Warburg Securities.

Banks' subordinated issues rank below all depositors and other creditors in the event of insolvency and their attractiveness to investors has been reduced by two main developments.

The first was the publication of proposals for an international unification of standards of capital adequacy for banks. This raised the possibility that Japanese banks, the largest buyers of the subordinated notes, would have to deduct a proportion of their holdings from their own capital.

The second was the rise in the number of private placements of subordinated bank paper, which, for a number of reasons including a higher yield and shorter maturity, were more attractive to potential investors.

JP Morgan's decision to withdraw its undertaking to make markets to the issues was cited by some dealers as having triggered the latest bout of uncertainty, by encouraging other dealers to question their commitment. "If Morgan can't do it, what chance have others got?" asked one dealer.

As the notes washed around the market last week, prices dropped by up to 2 percentage points but rose again on Friday in a panicky rally as dealers covered their short positions. The market was calmer yesterday, but small portfolio sales remained capable of producing a large movement in prices.

France changes bid defence regulations

By George Graham in Paris

THE FRENCH government has adopted measures aimed at strengthening the arsenal of companies defending themselves against hostile bids.

Mr Edouard Balladur, Finance Minister, yesterday announced he had asked the stock exchange and the Commission des Opérations de Bourse (COB), the stock market regulatory authority, to introduce rule changes that would oblige shareholders to declare their intentions once they pass the threshold of 10 per cent in a quoted company.

He also called on the exchange and the COB to make proposals on whether defending companies should be allowed to carry out operations going beyond everyday management – such as anti-raider capital increases – while they are the object of a takeover bid.

Wave of anxiety

The measures follow a mounting wave of anxiety among ministers over the sharp increase in takeover activity in France this year. Although Mr Balladur has repeatedly declared that takeovers are "a good thing" and a sign of the health of the economy, he has clearly been uneasy over several of the bids now in progress.

Besides defending the interests of France's 6m novice individual shareholders, the minister has found himself faced with the often conflicting interests of the target company's employees.

The employees of Télémécanique, an industrial automation company now the object of rival bids from Schneider, the electrical engineering group, and Framatome, the nuclear power plant constructor, as well as those of Rhin-Rhône, an energy distribution company targeted by the Bollore group, have recently taken to the streets to protest against their would-be owners.

The takeover code, laid down to the stock exchange's general rules and in a collection of COB decisions, is lengthy but far from exhaustive and nearly every significant bid in the past 12 months has raised new legal problems.

Merger and acquisition specialists at the leading Paris merchant banks believe the most pressing need is for greater clarity over purchases of shares to the market while a bid is to progress and for controls over partial bids.

Silent struggle

The obligation to declare intentions, modelled on a similar US rule for stakes of over 5 per cent, is expected to help avoid a repetition of the silent struggle last summer for Prouvost, the wool group, in which the Chargeurs group built up a stake of 47 per cent without ever launching a bid or saying it was seeking control.

Meanwhile, French corporate treasurers will no longer be allowed to invest in the financial futures markets unless they have express authorisation from their boards, following the recommendations of a commission investigating the role of the futures markets.

The commission, chaired by Mr Daniel Deguen, president of Banque Hypothécaire Européenne, decided that new futures exchanges such as the Matif (which trades principally a contract based on French government 10-year bonds) were not responsible for the turbulence in the financial markets to October. On the contrary, it called for them to be developed further to improve overall market liquidity.

The main proposals of the Deguen commission are:

- Creation of a market in stock index futures and options;
- Introduction of market makers for equities featuring to the stock market index;
- Coordination of supervision and margin requirements between the stock market and the futures markets;
- The eventual merger of stock market and futures market clearing houses;
- Systematic control of peripheral market operators such as fund managers and half commission brokers;
- Improved accounting procedures.

In another development, the French stock exchange has suspended Louis Baudoin, the stockbroking firm, for "serious shortcomings in its management and supervision."

It is believed to be the first time that an entire firm has been suspended, although individual brokers have been punished in this way before.

Baudoin, one of the smaller Paris firms but very active in the financial futures markets, suffered losses of FFr4m last year on turnover of FFr116m. It had yesterday published a statement threatening legal action against the authors of what it called "an orchestrated campaign of denigration" against it.

Ferrovie dello Stato $500m deal well met

BY CLARE PEARSON

THE EUROBOND market yesterday welcomed a new $500m bond for Ferrovie dello Stato, the Italian state railway operator – the biggest Eurodollar deal seen for two months.

Dealers said demand for Italian state-backed paper seemed good, and that the issue had the added advantages of being sensibly priced and sizeable.

J.P. Morgan Securities led the 8⅝ per cent five-year bond, priced at 101⅝, which gave an initial yield spread of 65 basis points over the US Treasury bond yield curve. During the afternoon it traded at less 1¾ bid – against 1⅞ per cent fees – to give a slightly narrower yield margin.

Seasoned Eurodollar bonds displayed a slightly firmer tone following Friday's improvement in Treasuries after moderately encouraging US economic data. But activity was subdued, with dealers focussing on the approach of Thursday's US trade data for January.

Canadian dollar bonds put in a better showing in sympathy with a strengthening Canadian domestic bond market and a firm currency. This encouraged the launch of three new five-year deals, totalling C$325m.

A C$75m 9⅝ per cent bond for McDonald's, the US fast food group, led by J.P. Morgan Securities and priced at 101⅛, and a C$150m 9½ per cent bond for General Electric Capital Canada, led by Dominion Securities and priced at 101⅜, were both said to be meeting demand from Continental investors. They traded around their 1⅞ per cent fees.

The third issue, a C$100m 9⅝ per cent bond for Canada's Export Development Corporation, priced at 101⅛, came too late to see active trading but looked tightly priced. It was led by Wood Gundy.

Eurosterling bonds were marked up in sympathy with a firmer gilt market, but activity fizzled out ahead of today's UK Budget. Most Eurosterling houses were said to have adopted moderately long positions.

Two new issues emerged, though neither was designed to trade widely. A £50m six-year deal for Nykredit, the Danish

INTERNATIONAL BONDS

mortgage lending institution, was targeted at asset swappers, while a £80m five-year bond for Denmark, its first in Eurosterling since 1984, was structured effectively as a private placement.

UBS (Securities) took almost all the issue itself, although three Danish banks which usually participate in Denmark's deals were included as co-managers.

UBS said it had not thought it possible to syndicate a deal in the Eurobond market on the eve of the Budget, though it had identified specific Swiss demand for Denmark's paper. Other dealers said the new 9½ per cent issue, priced at 101½, was about 20 basis points more expensive than an outstanding deal for Denmark, due in 1994. At launch it gave a yield spread of 26 basis points over the gilt.

Baring Brothers led Nykredit's 10½ per cent bond, priced at 100⅝, which yielded in excess of 100 basis points more than the comparable gilt.

Hambros Bank announced a four-year A$60m 12¾ per cent bond for Crédit Commercial de France's Australian subsidiary, priced at 101⅝.

Meanwhile, Crédit Commercial de France itself led an Ecu100m five-year 7⅛ per cent bond for Crédit Local de France, the local authority funding agency. It was priced at 101¼ and was quoted at levels close to its 1⅞ per cent fees.

D-Mark domestic bonds rose up to 35 basis points, while Eurobonds achieved smaller gains, though in low turnover. The market was encouraged by last Friday's better US Treasury market.

Westdeutsche Landesbank led a DM300m bond for National Westminster Bank, its first D-Mark bond since the early 1960s. The deal is subordinated, and follows recent subordinated bonds for LLoyds and Royal Bank of Scotland in the Eurosterling market.

The 6 per cent 10-year bond, priced at 100¼, was said to be not helped by low overall turnover in the market but nevertheless traded at levels within its 2¼ per cent fees.

Leeds Permanent, the UK building society which has tapped the Eurosterling market twice in recent weeks, turned its attention to Switzerland yesterday, launching a SFr200m 4½ per cent five-year bond, priced at 101.

Union Bank of Switzerland led the issue, although the other two big Swiss banks, Crédit Suisse and Swiss Bank Corporation, declined co-management positions, saying the deal was too tightly priced.

Manufacturers Hanover executive quits

BY OUR EUROMARKETS CORRESPONDENT

MR TERENCE ALLEN, managing director of the investment banking department at Manufacturers Hanover in London with responsibility for the bank's 17 foreign exchange dealing rooms to Europe and the Middle East, is leaving the bank.

Mr Allen, 37, joined the bank two years ago from the National Bank of Abu Dhabi, where he headed its treasury operation. He is to become a private consultant on foreign exchange and treasury matters. He will be replaced as acting manager by his deputy Mr Ezra Zask, 37.

Mr Allen's resignation was said to be amicable and for family reasons, and unconnected with the programme of 2,500 job losses worldwide announced by the bank in December. As part of this programme, a reduction of 40 jobs was announced from the bank's London operation earlier this month.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 14

US DOLLAR STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	96⅛	96⅝	+0⅛	0	8.62
AR Nippon Air 9½ 97	100	†98⅞	98⅞	+0⅛	-2	9.61
American Brands 8⅞ 92	150	99¾	100¼	+0⅛	+0⅛	8.85
A/S Eksportfinans 7⅞ 93	100	95⅛	95⅝	+0⅛	-0⅛	8.61
A/S Eksportfinans 7⅞ 92	150	96⅛	96⅝	+0⅛	-0⅛	8.42
Banc. Bk. Fin. 10⅛ 89	200	†103⅛	103⅝	+0⅛	-0⅛	7.91
[illegible]						

YEN STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102⅛	102⅝	+0⅛	+0⅛	4.77
Belgium 4⅝ 94	45	97⅝	97⅞	+0⅛	+0⅛	5.08
Canada 4⅞ 92	80	98⅞	99⅜	—	—	4.63
EMC De France 5⅛ 94	20	100⅞	101⅛	+0⅛	+0⅛	4.95
Kansai Electric 4⅞ 94	60	96¾	97¼	+0⅛	-0⅛	5.21
Norway 4⅛ 92	60	98⅛	98⅝	0	+0⅛	4.72
[illegible]						

OTHER STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

Average price changes... On day +0 on week +0

SWISS FRANC STRAIGHTS

	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
E.I.B. 4⅝ 97	200	†100⅛	100⅝	0	-0⅛	4.68
E.I.B. 4⅝ 97	200	†100⅛	100⅝	.5	-0⅛	4.56
Euro Coteaux 5 99	100	†100⅛	102⅛	-0⅛	-0⅛	4.88
Ireland 5 02	150	†97⅝	97⅞	0	-0⅛	5.26
Nippon Sek. Kin. 4⅛ 95	80	†103	103⅛	.5	+0⅛	3.95
Occidental Petrol 5⅛ 92	100	†103	103⅛	-0⅛	0	4.05
Prov. of Manitoba 4⅝ 02	200	†101⅛	102	+0⅛	+0⅛	4.98
Prudential Fin. 4⅝ 98	200	†102	101⅛	+0⅛	+0⅛	4.59
Swiss Airways 4⅝ 97	110	†98⅛	98⅝	-0⅛	-0⅛	4.95
SIN Holdings 4⅛ 94	100	*†102⅛	102⅝	0	0	4.30
Trans-Can. Pipe 4⅞ 94	100	†101	101⅛	-0⅛	-0⅛	4.63
Unifg. 5⅛ 96	120	†103⅛	104	0	+1	4.91
Victoria Pub.Ath.5⅛ 03	118	†102⅛	103	+0⅛	0	5.89
World Bank 5 02	200	†99⅝	100	0	0	5.02

Average price changes... On day +0 on week +0

FLOATING RATE NOTES

	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

Average price changes... On day +0 on week -0

CONVERTIBLE BONDS

	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Ranks Hovis 4⅞ 03 £	1/88	3.5	108⅛	109⅛	-0⅛	18.57
Redland 7⅛ 02 £	1/87	5.4	96⅞	97⅞	-0⅛	25.15
Texas Inst. 2⅞ 02 US	†9/87	82.87	83	84	-0⅛	31.39
W.R. Grace 6⅛ 02 US	9/87	42.12	85⅝	86⅝	-1⅛	35.23

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Sterling's strength slows Glaxo

BY PETER MARSH

Glaxo, the biggest UK drug company, yesterday announced a 6 per cent increase in pre-tax profits to £397m for the first half of the 1987-88 year.

The figure, greatly affected by currency fluctuations, underlined the slow-down in growth of sales and profits at the company and was roughly in line with City expectations.

Sir Paul Girolami, chairman, said the company was continuing to make progress in consolidating its position as one of the world'e top drug companies.

Ha stressed the impact of the weak dollar on the financial performance of the company, which gains 86 per cent of its sales outside Britain - nearly two-fifths of sales derive from North America.

Turnover for the six months to end-December was £924m, np by 6 per cent compared with the same period in 1986. Earninge increased to 36.5p (32.6p) and the interim dividend is being lifted by 2p to 7p per share.

Trading prefit for the six months was £352m, up 4 per cent, while profit after tax was £272m, a 12 per cent increase.

The company compiled the figures using exchange rates as of December 31 1987. Had it used the rates of a year before, said Sir Paul, sales would have shown up at £1.05bn, an increase of 20 per cent, with trading profits of £392m, up 16 per cent.

Underlying growth for the company measured in terms of volume of drugs and of price increases was satisfactory, the company said. Sales of Zantac, the anti-ulcer medicatien which is Glaxo's biggest selling product, grew by 25 per cent at constant exchange rates. Sales of the product, which accounts for roughly half the company's total revenue, grew by only 7 per cent when the effect of currencies was included.

There was also a good performance in antibiotics and respiratory products, where sales increased by 27 per cent and 26 per cent at constant exchange rates.

Growth in specific countries, measured in local currencies, was encouraging, with the US showing a 34 per cent increase. Sales in France, Britain and West Germany were all up by about a fifth.

Sir Paul emphasised the extra cash being spent on research and development aimed at products for the 1990s. The company £101m to this area in the last six months of 1987, a 51 per cent increase on the same period of 1986. Capital spending was up by 88 per cent to £121m.

The company has several products dne to emerge from its research pipeline which it says have exciting prospects for the 1990s. Sir Paul did not want to discuss these medications, which include drugs for anxiety, heart disease and migraine, but promised more information in a series of presentations next month.

Sir Paul Girolami – research and development spending up 51 per cent to £101m

One mystery which remained unexplained yesterday concerns the resignation of Mr John Burke, formerly a Glaxo director responsible for UK trading and for the company's markets in Australia, the Far East and southern Africa.

Mr Burke, 43, joined the board last year and was considered a rising star. Sir Paul said yesterday that Mr Burke had left the group in friendly circumstances after he realised he wanted to pursua new interests. Sir Paul said he did not know where Mr Burke had gone.

See Lex

Australian sale makes Newman Industries bid target

By Michael Smith

Newman Industries, the fastenings engineer, was last night the centre of intense takeover speculation after Winterbottom Holdings, an Australian industrial and financial services company, sold a 20.47 per cent stake in the group.

Winterbottom, which bought 26 per cent of the company less than a year ago, was unavailable for comment last night and Newman said it knew neither the identity nor the intentions of the shares' buyer.

Suter, the acquisitive industrial group, was also unavailable for comment.

Last May it made a bid for the block of Newman shares which Winterbottom acquired but its 57p cash offer was rejected to favour of the Australian group's 60p.

It was uncertain yesterday how much Winterbottom sold the shares for, but market sources suggested something around 55p. Shares in Newman last night rose 5.5p to 63p, to value the company at about £80m.

When Winterbottom took its stake last May it promised cooperation and two of its directors were to join the board. In the event only John Shepherd, WInterbottom'e chairman, took a boardroom seat.

Winterbottom has had problems to Australia because of the stock market collapse. Its shares have fallen from 85 cents in October to about 17 cents.

Winterbottom has kept a 5.74 per cent stake in Newman.

Mr John Marley, chief executive of Newman, said his company would strenuously resist any takeover attempt. The company's prospects had changed following the disposal of avery loss-maker in the group. It was generating substantial cash and gearing was being reduced.

"We are determined to have an opportunity to make it work," said Mr Marley.

Analysts expect the company to have made pre-tax profits of about £8.5m for 1987, against £5.5m the year before.

Suter already has a stake of about 8 per cent to Newman. Its own share price has been depressed recently following a programme on Channel Four about insider trading. Mr David Abell, Suter chairman, is suing the programme makers for libel.

Newman yesterday announced the disposal of F&R Cooling and Ryan Refrigeration to a management buy-out team. The total cash value to Newman will be £844,000.

MONEY BROKERS PROFITS STATIC IN WAKE OF BLACK OCTOBER

MAI at £24m and weak dollar expected to hit second half

BY CLAY HARRIS

MAI, the financial services and advertising group, yesterday reported stagnant pre-tax profits and a fall in earnings after a first half which included Black October. It warned that full-year results would be hit by the dollar's weakness.

Pre-tax profits of £24.4m (£24.1m) were achieved on turnover of £152.9m (£140.8m) in the six months to December 31.

Monay broking and government bond broking had recovered from the low levels of November and December, but overall volumes in the wholesale broking divisions were still running below last year's levels. The Eurobond market remained quiet.

Mr Clive Hollick, managing director, said yesterday that MAI was investing £12m to expand its foreign exchange operations. Overall, MAI had either maintained or increased its market share in every sector.

So far, the bonus-linked element in pay had enable MAI to avoid net job losses, although the emphasis was on higher productivity, Mr Hollick said.

Trading to other divisions, including personal finance, market reserach and media – which includes Mills & Allen, Britain's largest outdoor poster contractor – was unchanged from the first half.

The tax charge fell to £8.8m (£9m), and MAI took an extraordinary debit of £1.3m (£8.7m) to reflect the writedown of certain listed investments at December 31.

Earnings per share fell to 4.9p (5.1p), and the interim dividend is maintained at 1.2p, both comparable figures adjusted for a five-for-one subdivision.

MAI INTERIM DIVISIONAL RESULTS (£m)

	Turnover	% change	Pre-tax profit	% change
Securities & moneybroking	90.1	+0.1	14.97	-2.9
Personal financial services	24.8	+21.2	3.27	-8.2
Media	34.4	+29.3	4.9	+31.1
Market research	3.6	-17.8	0.97	+6.1
Net interest received	–	–	0.3	-31.3
Totals	152.9	+8.6	24.41	+1.1

● comment

With profit forecasts for MAI falling yesterday as fast as the dollar at the turn of the year, it might appear remarkable that the ehares lost only 2p to 109p. However, MAI's determination not to try to out-guess the currency market has the virtue of near transparency. What you see is what you get, apart from worse than expected trading volumes. The increased emphasis on foreign exchange should take up some of the slack, and MAI's diversity is a blessing. The forced disposal of 2,000 more 48-sheet posters will not affect results this year, and MAI hopes to mitigate tha 1988-89 impact with some judicious site and size swapping. Not surprisingly, full-year forecasts vary as much as those for the dollar. At the top end, £55m pre-tax, earnings will creep ahead, putting the shares on a prospective p/e of 9.7. That assumes the worst is over, both for trading volumes and for the dollar. If not, watch out.

Imtec in minority buy out

Imtec, the USM-quoted manufacturerprodncts, yesterday announced pre-tax losses of £852,000 in the six months to December and unveiled an agreement to buy ont minority shareholders in its subsidiary Laser-Scan International.

The pre-tax figure compared to a loss of £504,000 in the half year to September 30, 1986. But Mr Gerald Frankel, tha chairman, said the latest results showed a reduction in the loss of £2.625m experienced in the 15 months to June 1987 and this improvement was expected to continue in the second half.

Turnovar during the six months totalled £3.96m (£4.14m in the half year to September 1986), including the consolidation of Laser-Scan since the acquisition of 52.4 per cent of the company in December. There was no tax charge (nil), and the loss per share was 5.4p (loss of 3.4p)

The company said that during the half year it had incurred costs of £363,000 due to protracted delays in the acquisition of Laser-Scan and an associated rights issue.

It had now reached agreement with Laser-Scan to make an increased cash offer, worth 14p a share rather than 10p, to minority shareholders. This would cost about £768,000, and Bolton House Investments had agreed in principle to provide a subordinated loan. The board considered the increase was fully justified, since Laser-Scan had received several large contracts since the original deal, which had improved its prospects.

Benlox shares rise again

By Nikki Tait

Benlox Holdings, the small investment dealing and civil engineering company which made an abortive "demerger" bid for retail giant Storehouse last autumn, yesterday said that it had noted the recent rise in its share price and knew of no reason for this. The shares were a further 4p higher at 58p yesterday, compared with 48p a week ago.

Last month, Dr Ashraf Marwan, the Egyptian financier, sold his holding in Benlox, which was then picked up by a Zurich company called Steger Finanz, giving the Swiss shareholder 23.5 per cent. Benlox chairman, Mr Andrew Millar, said yesterday that the company still intends to proceed with the demerger plans which were due to ensue from its takeover of Nolton last July. Benlox directors orginally suggested that the first demerger would take place to December.

Near £30m injection for ICH

Throgmorton Trust, the investment trust, is to inject np to £29.2m for a 23.4 per cent stake in International City Holdings, the money broker which yesterday reported barely changed interim pre-tax profits of £7.33m, writes Clay Harris.

ICH said the next phase of its growth and development required a substantial improvement in its balance sheet and the support of a large, independent long-term shareholder.

At 192p, the issue to Throgmorton was priced at a premium to the market, where ICH shares gained 6p to 188p. ICH shareholders will be able to claw back most of the shares through a six-for-25 open offer, although Throgmorton has been guaranteed a minimum holding of 10.3 per cent.

ICH's pre-tax result in the six months to December 31 was only £159,000 ahead of the £7.17m reported in the comparable half and was achieved on turnover 8.8 per cent lower at £54.3m (£59.5m).

An extraordinary debit of £195,000 (nil) reflected disposal costs of US-based MKI Government Brokers. On fully diluted earnings of 9.8p (10.3p) the interim dividend is unchanged at 3p.

The downturn in turnover reflected the sharp fall in securities trading since October, which had only recently begun to show signs of increased activity. In money broking, volume had returned to more or less normal levels after an initial surge following the crash.

Leasing and property financing had a particularly successful half year, ICH said.

Throgmorton can sell its stake, which will be the trust's single largest holding, only with ICH's approval or after giving ICH 21 days to come up with another buyer. Mr Bob Seabrook, Throgmorton managing director, will join the ICH board as a non-executive director.

● comment

Tha Throgmorton deal preserves ICH's independence without the compromising taint of lucre from other would-be suitors already involved in financial services. Although ICH insists that dedicated-capital requirements under the Financial Services Act had been satisfied by existing resources, the injection will double shareholders' funds and go a long way towards blunting the City's sharp perception of capital hunger. Unless trading picks up, however, markets are not going to support all the players, and ICH may not be big or special enough to be among the survivors. If that day comes, the size of Throgmorton's strategic stake will help to set a good price for other ICH shareholders, who can give thanks in the meantime for the way this fund-raising was handled. Assuming £18.5m pre-tax for the full year, the prospective p/e is 7.3.

Granada makes US acquisition

Granada, the broadcasting and leisnre group, yasterday announced the purchase of Healthcare Television and Telephone, one of the largest suppliers of rented TV sets to US hospital patients, for $9.6m, together with the assumption of about $30m of debt.

The acquisition will make Granada by far the largest competitor in this sector in North America, since its subsidiary Granada Hospital Group is already a leading player in the field.

HT & T had a turnover in 1987 of about $36m. Combining that with Granada's own hospital TV interests would have produced a turnover of $90m.

Announcing the deal at yesterday's AGM, Mr Alex Bernstein, Granada's chairman, said trading so far this year had been positive, with profits satisfactorily ahead of last year's.

IFICO more than doubled

Industrial Finance and Investment Corporation, finance and property group, more than doubled pre-tax profits for the six months to end-December 1987 from £890,000 to £850,000.

Earnings per share moved up 71 per cent from a restated 1.43p to 2.45p. The interim dividend increased to 1.5p (1p).

Mr Graham Harrison, managing director, said that the substantial increase in profits resulted from the group's business development programme over the past two years. The group had quickly achieved a satisfactory base of profitability and he said he was optimistic for the future.

In December IFICO sold its estate agency interests (Douglas Allen Spiro and IFICO Estate Agents) to Refuge Group for £7.48m and in February agreed to acquire Fairview Securities, property dealer, for an initial consideration of £1.7m with further instalments depending on future Fairview profits. For the year ended June 30 1987 Fairview declared pre-tax profits of £312,000 and at February 10 1988 had net assets, including properties at valuation, of £1.95m.

Exchange rates trim Pentland

BY ANDREW HILL

ADVERSE EXCHANGE rates cut 1987 pre-tax profits by 12 per cent at Pentland Industries, the industrial holding company with a 32 per cent stake in Reebok International, the US sports shoe manufacturer.

The year to end-December saw profits drop from £77.2m to £68m on turnover up 11.5 per cent to £487m (£437m). Earnings per share decreased to 13.5p (15.1p).

Year-end exchange rates deteriorated by 21 per cent according to Pentland, affecting sterling figures for the group's earnings in Hong Kong and the US.

Yesterday's results were accompanied by comparative figures for 1987, restated at 1986 currency rates. On this basis – using the 1986 year-end exchange rate of $1.48 – pre-tax profits for the past year would have risen to £84.8m, and earnings per share from 15.1p to 16.9p.

Mr Stephen Rubin, chairman, said he was disappointed that Pentland's reputation as one of the UK's fastest-growing companies had been tainted.

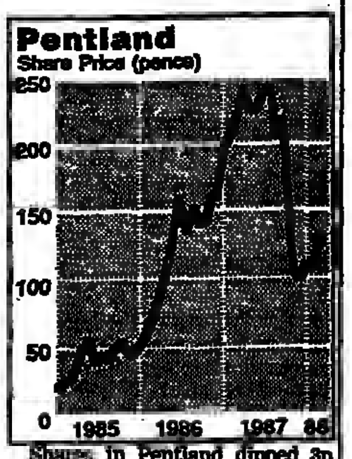
However, he said the group intended neither to average exchange rates for the year, as some companies with high exposure to the dollar had done, nor reduce Pentland's exposure in the US.

Last year Reebok contributed 77 per cent of Pentland's attributable profits and the group's share in the company made trading profits of £54.9m (£66.3m).

"Reebok is growing so quickly that it has dwarfed everything else, but non-Reebok divisions are beginning to catch it up," said Mr Rubin yesterday, adding he was happy with Pentland's perceived dependence on Reebok as long as the US company continued to grow.

Attributable profits at Pentland actually rose 32 per cent to £55.8m (£42.1m) due to an extraordinary gain of £18.2m, following the sale of a small proportion of Pentland's shares in Reebok last May.

Reflecting confidence in the future the dividend for 1987 is being lifted to 0.635p (0.422p) via a final of 0.338p.



Shares in Pentland dipped 3p yesterday to close at 133p.

See Lex

KIO pushes BP stake over the 22% mark

By Steven Butler

The Kuwait Investment Office yesterday said that it had lifted its stake in British Petroleum to 22.068 per cent following the acquisition of a further 47m ordinary shares of BP on Friday.

The KIO now holds 1.3bn partly and fully paid BP shares. The KIO said on Friday that it intended to limit its stake in BP to 22.5 per cent of the company, although this could be revised in the case of unforseen circumstances.

Appleyard doubles profits and aims for three year growth

BY MICHAEL SMITH

Appleyard, Yorkshire-based motor trader, more than doubled pre-tax profits in the year to last December from £2.62m to £5.39m.

Although 1987 was a good year for motor distributors generally, Appleyard benefited from the development of its servicing and parts activities and from the disposal of the last of its loss making subsidiaries.

Mr Ian Appleyard, chairman, said the company's performance in the first two months of 1988 led it to expect "continued impressive growth."

Appleyard aims to increase profits by at least 30 per cent in each of the next three years and earnings per share by 10 per cent. Growth in the latter will be restricted by a rising tax charge.

In 1987 earnings per share were 43.3p, a rise of 54 per cent on the 28.2p of 1986. The board is recommending a final dividend of 8.5p to make a total for the year of 12p (7p).

Turnover was £217.16m (£176.31m), interest was £898,000 (£1.11m) and tax £665,000 (£146,000).

The company said the vast bulk of the profits growth was achieved organically. Chiltern Motor Holdings, a dealer and petrol retailer acquired in September, made a three month contribution of £121,000 after financing charges.

Union Trucks, the holder of the Scania commercial vehicles franchise for north-east England and North Yorkshire, also made a "small contribution."

Mr Mike Williamson, chief executive, said Union Trucks was being restructured. Both it and Chiltern would perform very strongly in 1988.

Year-end gearing stood at 8.5 per cent.

● comment

It hardly seems fair. Having just doubled its pre-tax profits, Appleyard is looking for pre-tax growth of at least 30 per cent this year. Yet if it makes about £7m the prospective p/e is about 8, a discount to both the market and the sector. There is, however, good reason for the market's caution. Appleyard has done well to transform itself from a group which in the early 1980s depended almost wholly on Austin Rover franchises, into a broadly based company selling Vauxhalls, Fords and specialist cars like Jaguars. It also deserves credit for its "coat hanger" approach by which it places increasing emphasis on hanging services and spare parts on to car sales. The company's spectacular recent growth has, however, been possible because of poor performance in the early 1980s: it has come from a low base. But the main brake on the growth in the value of the shares is a rapidly rising tax charge, which was just 12 per cent last year but will be in the low 20s this year and higher next. That means it will be the 1990s before earnings can grow dramatically and who knows where the car market will be by then?

Invergordon advances 7% to £5.57m

Invergordon Distillers (Holdings) reported pre-tax profits for 1987 up 7 per cent at £5.57m, compared with £5.21m. Stated turnover was lower at £47.19m against £60.57m but included duty of only £3.22m rather than the previous year's £22.84m.

An increased final of 4p (3.75p) is proposed for a total of 5.75p (5.25p). Earnings per share were 16.46p (15.51p).

Retained profit was £2.45m (£2.35m).

Coloroll rules out Norcros bid

BY CLAY HARRIS

Coloroll, the home furnishings group, yesterday ruled itself out of an immediate takeover bid for Norcros, despite "the undoubted benefits" of combining its operations with those of the building materials and specialist packaging company.

Coloroll said it had sold its 2 per cent stake, in more than one transaction, for a £600,000 profit after deciding that Norcros shares were fully valued.

Norcros shares fell 9p to 417p yeeterday after Coloroll announced the disposal and said it was "not currently contemplating" a takeover offer, language which would normally preclude a bid for at least three months, in the absence of a rival offer or any other change of circumstances.

The disposal followed Norcos' warning last week that it might counterbid if Coloroll launched an offer. Norcros' market capitalisation is more than twice that of Coloroll.

Although the Norcros statement was widely interpreted as bark rather than imminent bite, Coloroll subsequently noticed the purchase of a small number of its own shares by a fund associated with Charterhouse Bank, Norcros' financial adviser.

Coloroll's sale of Norcros shares after its stake-building came to light followed a pattern set last year by Bunzl, the packaging and transport group. Bunzl's foray was followed by a full bid by Williams Holdings, which only narrowly failed to win Norcros.

Triton finds oil in Paris basin

Triton Europe, independent oil company 59 per cent owned by Triton US, yesterday said that its French subsidiary had discovered oil in the Paris basin. A flow of oil at the Maincy well, 1.2 miles south of the St Germain oil field, was tested at 212 barrels of oil per day.

Triton France operates the well and has a 50 per cent interest in it. It has a similar interest in the St Germain field, which produces 1,800 barrels per day.

Sapphire leaves oil for tobacco

BY DAVID WALLER

Sapphire Petroleum, the former oil exploration group, is to enjoy a metamorphosis. At the initiative of financiers associated with fund manager MIM, it is to be transformed into a US tobacco distributor and will be renamed American Distributors.

In the fourth of a series of complex deals put together by Mr Mark Vaughan-Lee and Mr Chistopher Mills, Sapphire shareholders will be asked to finance the $20.1m (£10.82m) acquisition of two US cigarette distribution companies, Golden and Valley.

The transaction follows an attempt last summer to turn Sapphire in a payroll distributor with the proposed $44macquisition of IDC.

Although this failed, the motivation behind the latest transaction remains the same: to match a US company with a UK company supporting massive tax losses in the US.

The acquisitions will be financed by a five-for-one open offer to all shareholders, who will be able to subscribe for the new shares at 11p apiece – the company's shares were suspended at 25p earlier this month.

Although Golden and Valley are separate companies, they are located within five miles of each other in the state of New York. If the businesses had been combined last year, turnover would have been in the region of $200m and pre-tax profits would have amounted to $4.328m.

As a result of accumulated losses, Sapphire cannot now pay dividends. The directors are proposing a capital reconstruction which will enable them to so, forecasting a dividend of $0.01 per share this year. This represents annualised yield of 6.5 per cent based on the 11p offer price.

It is planned to turn the company into a major group by acquiring similar low-margin cash-generative companies. Cashflow will be much enhanced by tax losses of $37m that will be offset against future earnings. Oil activities will make only a "very limited" contribution to the group's future activities.

Other companies from the same stable include American Plastic Technologies; American Business Systems; and American Electronic Components, sold last year to the Burgess Group.

Davidson Pearce profit tops £4m

Davidson Pearce, advertising agency,yesterday reported profits up from £3.89m to £4.1m in 1987. The result was in line with forecast but included £650,000 in respect of an exceptional credit,being a property surplus less reorganisation costs.

Mr Christopher Hawes, chairman, said with strong management, positive cash flow, a healthy balance sheet and reserves, the group was seeking opportunities to grow further. The aim was to build a major advertising and marketing services group in the UK and internationally.

Earnings per 10p share moved up to 13.49p (11.77p) and the final dividend is 2.1p for a 3.3p total (3p).

Billings rose to £102.4m (£96.79m) and turnover to £78m (£76m). Mr Hawes said 1987 included the first full year's contribution from Counter Products Marketing; while the enlarged group met some short-term problems positive steps were taken which would enhance prospects.

The Davidson Pearce agency achieved a turnover within 3 per cent of its record 1986 achievement, despite the loss of some accounts. But it made a strong start to 1988.

Mr Hawes will retire in the middle of this year and be succeeded as group chairman by Mr Daniel Hodson, who joined the group as chief executive in October. Next month the management team will be completed by the apppointment of Mr Kazia Kantor as finance director on the retirement of Mr Dennis Mady.

Wolseley rises to £41m despite a weaker dollar

BY PHILIP COGGAN

INTERIM PRE-tax profits at Wolseley, the world's largest plumbing supplies company, rose 28 per cent to £41m despite the adverse effect of the weaker dollar on the company's US figures.

An end period exchange rate of $1.76, as against $1.5 a year earlier, knocked £1.7m off pre-tax profits for the first half. Currency options have been used to fix the rate at $1.76 for the rest of the year.

Despite the currency effect, profits in the US building distribution division still rose 22.5 per cent, in sterling terms, to £10.7m.

Familian, the West Coast plumbing supplies company, contributed trading profits of £1.79m in the three months for which it was included; Ferguson, the East Coast-based chain, reported a 30 per cent increase in sales. The problem spot was Carolina Builders, where profits were only static, because of a depressed building market.

The UK building distribution division recorded a particularly impressive performance on the back of the UK construction boom. Margins were considerably higher with the help of a better product mix in the Harris and Ray "heavy supplies" branches - profits rose 30 per cent to £19.1m on turnover up just 14 per cent. Wolseley now has 246 branches in the UK.

The UK manufacturing division, which was formed by combining four previous sectors, increased profits by 27 per cent to £12.36m. "We combined the sectors to show how important this division is", Mr Jeremy Lancaster, the chairman, said. "Almost all the manufacturing companies are market leaders in their fields".

Trading profits for the six months to January 31 were £42.1m (£33.1m) on turnover of £578m (£469m) and the interest charge was £1.06m (£955,000).

After tax of £15.4m (£11.8m) and minority interests of £184,000 (£344,000), earnings per share were 12.6p (10.6p). The interim dividend is being set at 2.3p (2p).

Mr Lancaster said that the October stock market crash did not seem to have affected the business. "We all waited for the sky to fall in and nothing happened", he said.

Current trading conditions continued to be good and the outlook for the full year was one of further progress.

● comment

The pace of Wolseley's recent growth has outstripped companies based in more glamorous sectors than plumbing and heating distribution. Mr Lancaster's steadfast determination to build up the UK business by adding branches has borne fruit, although that process probably only has two or three years more to run, and of course the UK building boom has done the company no harm. The US acquisitions are thus strategic – the American market is so much larger and so much more fragmented than the UK business that it will take a long time before Wolseley can build up a dominant market position. That means that Wolseley should still be able to grow even if the US moves into recession – and at some point exchange rates should move in the company's favour. Given that, long term investors may well find that the shares, marked down post-crash because of the dollar exposure, are better value than most at 268p. Assuming £90m for the full year, the prospective p/e is under 10, a discount to the rest of the building materials sector.

Compsoft rights and acquisition

BY PHILIP COGGAN

Compsoft Holdings, the USM-quoted software house, has announced its second rights issue within six months as part of the reorganisation following last year's management buy-in by Dr Robb Wilmot's and Dr Geoff Bristow's Octagon Industries.

Robb Wilmot – management buy-in last year

The three-for-five rights issue will raise £2.4m and is accompanied by an offer to acquire Wootton Jeffreys, a computer systems and consultancy group, for £1.6m. The rights will involve the issue of 7.6m shares at 35p each; the acquisition consideration will result in the issue of a further 3.1m shares.

Wootton made a pre-tax loss of £579,000 in its last financial year but this was due to two unsuccessful acquisitions and Compsoft believes that the company is a niche market business with a strong reputation in its field. The acquisition forms part of Compsoft's strategy of building up a leading consultancy and software group.

The proceeds of the rights issue will be used to provide Wootton with additional working capital, and to pay for further acquisitions. Compsoft is already in discussions with a company operating in a related field to Wootton.

A group of institutional shareholders have agreed to take up their rights in respect of 51.8 per cent of the shares. Mr Nick Horgan and Ms Heather Kearsley, the former husband and wife team that ran Compsoft, have undertaken not to take up their rights, comprising about 31.3 per cent of the equity.

Compsoft also announced its preliminary figures for the nine months to December 31 (the company's new financial year end) which largely reflect the period before the Octagon team took over.

Compsoft had made pre-tax losses in each of its previous years and the nine month figures show a further deficit of £900,000 on turnover of £1.2m. The problems had been caused by the company's five European operating subsidiaries; two have now been sold to their managements and the remaining three have been closed. The rationalisation is reflected in an extraordinary debit of £355,000.

Dr Bristow is now being joined on the board by his former ICL colleague, Dr Wilmot and by Mr John Irvine, the former finance director of Exco International.

Drayton Japan meetings adjourned

Drayton Japan, the MIM-managed investment trust, yesterday took the expected course and adjourned "indefinitely" the shareholders' meetings called to consider board plans for turning the fund into a split level trust.

The proposals – in particular, their failure to include any specific cash exit route – had been criticised by Drayton Japan's largest shareholder.

Neepsend shares rise as three build up 12% stake

BY NIKKI TAIT

SHARES IN Neepsend, Sheffield-based engineer, rose 5p to 61p yesterday on news that a private company, Activegrade, had acquired 1.57m shares or 11.59 per cent.

The new shareholder apparently represents the interests of three private individuals – Mr Graham Kelk, Sheffield accountant, Mr Peter Short, builder based in Chesterfield, and Mr Michael Deakin, whose various directorships include the quoted Sheafbank Property Trust.

Yesterday, Mr Kelk said that he and his colleagues hoped to become more closely involved with Neepsend, and that their current intentions towards the board were friendly.

The aim, he added, was to prompt "a greater increase in shareholder values" at Neepsend, and he suggested that the trio would be able to bring a number of deals to the company.

Mr Kelk also said that Activegrade would be looking for boardroom representation. He expected to meet Neepsend's chairman, Mr Stanley Speight, on Friday.

Neepsend believed that the sellers included Boston Investment Management Group, which held a little more than 5 per cent and the Evered pension fund.

Neepsend tumbled into the red during 1985-86, but recovered to a £165,000 profit before tax in the year to end-March 1987. In the first half of the current year, it improved further to £246,000, with another £101,000 coming in below the line through property sales. The company is capitalised at £8.2m.

Renishaw 24% ahead at operating level

By Fiona Thompson

Renishaw, the Gloucestershire-based maker of machine tool measurement probes, increased operating profits by 24 per cent to £1.81m for the six months to December 31 1987. The advance from £1.56m was achieved on turnover ahead at £12.58m (£10.18m).

Pre-tax profits were £2.33m, compared with £4.19m last time, however the 1986 figure included an exceptional credit of £2.39m.

The strength of sterling had an adverse effect on the results, particularly relating to increased US sales. Currency fluctuations affected group profits to the tune of £400,000.

The main market for growth, the company said, continued to be its traditional metrology products for the machine tool market. Renishaw makes robotic component measuring machines, serving all the big machine tool manufacturers in the UK, North America, Japan and Europe.

In November last year the company acquired the Rolls-Royce interest in the patent rights formerly jointly owned by Renishaw and Rolls-Royce. The £877,000 cost – £1.35m less taxation of £473,000 – is shown as an extraordinary debit.

The company said it is to acquire a 100 per cent interest in Periferic SARL, a Paris company specialising in industrial terminals for machine tools.

Interest receivable was £518,000 (£342,000). The tax charge was £680,000, compared with £1.4m. Earnings per share were 5.34p against 9.06p last year (or 4.16p before the exceptional credit). An interim dividend of 1p (0.8p) was declared.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Alida Holdings ......fin	6.75	May 12	5.75	9.25	8
Appleyard Group ..fin	8.5	May 16	5.25	12	7
Armstrong Equip ..int	1.1	May 27	0.9	-	3.3
British Vita ....fin	5.25	May 3	3.7	9.25†	6.37*
Camellia Inv ....fin	10	-	8	17	14
Citygrove § ....fin	2.5	Apr 28	1.5	4	1.5
Davidson Pearce ...fin	2.1	May 16	1.8	3.3	3
Edinburgh Fund ....fin	5.5	May 5	5.5	9.5	8
Fisher (James) ....fin	1.9	-	0.35	3.6	3
Glaxo Holdings .....int	7	May 20	5	-	19
Glynwed Inter. ......fin	7.8	July 7	6.5	12.12	10.1
Hibernian ....fin	2.6	-	3.6	3.9	3.6
IFICO ....int	1.5†	Apr 25	1	-	3
Interml City ....int	3	-	3	-	9
Invergordon Dis ....fin	4	May 18	3.75	5.75	5.25
Keep Trust ....fin	6	May 27	4.5	9	6.75
Norfolk Capital ....fin	0.3	-	0.25	0.45†	0.38
Ransomes Sims .....fin	5.2	May 11	4.35	7.2	6
Rea Bros ....fin	1.1	May 26	0.8	1.75	1.25
TDG ....fin	6.25	May 6	5.5	8.5	7.5
Wolseley ....int	2.3†	July 29	2*	-	7*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

Jas Fisher higher

Despite adverse trading conditions within the shipping and port industries, shipowner and insurance broker James Fisher and Sons lifted its pre-tax profit to £2.6m, against £2.56m, in 1987.

A reduced tax charge pushed up earnings from 5.57p to 6.72p and the dividend is lifted from 2p to 3.6p, with a final of 1.9p.

Edinburgh Fund

Edinburgh Fund Managers reported pre-tax profits for the year to the end of January slightly lower at £5.57m against £5.75m. Funds under management totalled £842m (£867m).

Earnings per 5p share were 24.5p (24.8p) and the directors recommend an unchanged final of 5.5p making a total for the year of 9.5p (8p).

UK COMPANY NEWS

Notice to the holders of

The Sumitomo Trust and Banking Company, Limited

2¼% Convertible Bonds Due 2001

Pursuant to Clause 7(B) and (C) of the Trust Deed dated 7th May, 1986 relating to the above-mentioned Bonds (the "Bonds"), notice is hereby given as follows:

The Board of Directors of The Sumitomo Trust and Banking Company, Limited (the "Bank") resolved, at its meeting held on 7th March, 1988, to make a free distribution of shares of Common Stock of the Bank to shareholders of record as of 31st March, 1988, Japan time, at the rate of 0.05 new shares per one share held. Consequently, pursuant to Condition 5 (C)(i) of the Terms and Conditions of the Bonds, the Conversion Price of the Bonds will be adjusted from Yen 1,709.10 to Yen 1,627.70 per share of Common Stock of the Bank effective as from 1st April, 1988, Japan time.

The Sumitomo Trust and Banking Company, Limited

15th March, 1988

Notice to the holders of

The Sumitomo Trust and Banking Company, Limited

1¾% Convertible Bonds Due 2002

Pursuant to Clause 7(B) and (C) of the Trust Deed dated 3rd August, 1987 relating to the above-mentioned Bonds (the "Bonds"), notice is hereby given as follows:

The Board of Directors of The Sumitomo Trust and Banking Company, Limited (the "Bank") resolved, at its meeting held on 7th March, 1988, to make a free distribution of shares of Common Stock of the Bank to shareholders of record as of 31st March, 1988, Japan time, at the rate of 0.05 new shares per one share held. Consequently, pursuant to Condition 5 (C)(i) of the Terms and Conditions of the Bonds, the Conversion Price of the Bonds will be adjusted from Yen 4,163.40 to Yen 3,965.10 per share of Common Stock of the Bank effective as from 1st April, 1988, Japan time.

The Sumitomo Trust and Banking Company, Limited

15th March, 1988

TOKYU DEPARTMENT STORE CO. LTD

Notice to EDR Holders

The Chase Manhattan Bank, N.A. announce that the interim cash dividend of Yen 3.75 per share has been converted to U.S. Dollars and amounts to U.S. $27.05 gross per EDR. All presentations will be subject to deduction of Japanese withholding tax (if any) at the appropriate rates and representative payments will be U.S. $21.64 net after deductions of 20% Japanese withholding tax or U.S. $22.99 net after deductions of 15% Japanese withholding tax depending upon the residential status of the claimant and the application of any Double Tax Treaty concluded with Japan. Affidavits will be required in all cases where a withholding rate of less than 20% is to be used. Accordingly, EDR holders may present Coupon No. 17 forthwith at The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD or at Chase Manhattan Bank Luxembourg S.A., 47 Boulevard Royal, Luxembourg or at Morgan Guaranty Trust Company of New York, Avenue des Arts 35, 1040 Brussels or at Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luxembourg.

THE CHASE MANHATTAN BANK, N.A.
London, as Depositary.

TOKYU DEPARTMENT STORE CO. LTD

Notice to EDR Holders

The Chase Manhattan Bank, N.A. London as Depositary informs EDR holders that the free distribution has been received in Tokyo.

Accordingly EDR holders should now present Coupon No. 18 in order to claim their entitlement at the office of the Depositary, Woolgate House, Coleman Street, London EC2P 2HD or at Chase Manhattan Bank Luxembourg S.A., 47 Boulevard Royal, Luxembourg or at Morgan Guaranty Trust Company of New York, Avenue des Arts 35, 1040 Brussels or at Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luxembourg. EDR holders are further advised that entitlements in multiples of 1,000 shares will be available in the form of EDRs and holders should submit delivery instructions when presenting Coupon No. 18. EDR holders having entitlements of less than 1,000 shares will receive the net proceeds of the sale of their entitlement.

THE CHASE MANHATTAN BANK N.A.
London, as Depositary
March, 1988

Glynwed beats earnings target with 27% growth

BY PHILIP COGGAN

EARNINGS per share grew by 27 per cent in 1987 at Glynwed International, the Midlands-based industrial group, allowing the company to beat once again its proclaimed target of 20 per cent annual earnings growth.

Pre-tax profits for the year ending December 26 rose 31 per cent to £60.4m (£46.1m) on turnover up 16 per cent at £556m. A one-for-two scrip issue is proposed.

Glynwed's only problem area was its remaining interests in South Africa, and Mr Gareth Davies, the chairman and chief executive, said that one way or another the businesses would be disposed of this year.

The group has now been divided into three main operating divisions, all of which increased their profits. Consumer and building products benefited from the buoyancy of the building sector despite that the market for kitchen equipment and cookers was not particularly active.

Tubes and fittings profited from the inclusion for a full year of Philmac, the Australian plastics group and from the acquisitions of FIP and Plastic Constructions, bought during the year.

Suter, the mini-conglomerate built up by Mr David Abell, still has a minority stake in Plastic Constructions and has turned down a chance to sell its shares. "We think Mr Abell might be interested in swapping for our stake in Amari," said Mr Davies, "but we're not keen on such a deal."

The steel and engineering division sold two businesses during the year – MBS Distribution and J Burns – which were not considered strategic holdings. However, the hot rolling, bright drawing and cold rolling sectors showed acceptable advances in volumes and profits.

Earnings per share were 34.9p (27.5p) and the final dividend is 7.8p (6.5p), making a total of 12.12p (10.1p). Following a positive cashflow of £2.6m last year, Glynwed's gearing is down to 3.5 per cent.

PROFITS BREAKDOWN BY DIVISION

	1987 £m	1986 £m
Consumer & building products	19.0	13.9
Steel & engineering	17.3	15.5
Tubes & fittings	23.1	18.7
Properties	6.5	5.7
Other operations	(1.5)	(1.2)
Central costs	(1.9)	(1.8)
Operating profit	**62.5**	**48.8**
Interest payable	2.1	2.7
Pre-tax profit	**60.4**	**46.1**

● comment

Glynwed is the very model of a modern major company. Poorly-performing subsidiaries are weeded out; targets are set, and met, for the return on capital and for earnings per share growth; cash is conserved and gearing reduced to miniscule levels. Once the South African businesses are sold, Glynwed will have scarcely a weak spot in its portfolio. The potential clouds on the horizon are not too threatening. The tough capital and earnings targets may limit its ability to make acquisitions - few potential purchases will meet such rigorous criteria. And that may prevent Glynwed from diversifying abroad and avoiding the impact of a UK recession. But on present form, pre-tax profits will hit £74m this year, allowing Mr Davies to produce his 20 per cent eps growth. Given the quality of the company, the shares, at 473p, do not look expensive on a prospective p/e of 11.

Rea Brothers down sharply

Rea Brothers, banking and insurance services group, increased the final dividend from 0.8p to 1.1p for 1987 giving a total of 1.75p against 1.25p last year. Pre-tax profit however, was down from £2.44m to £1.32m.

Sir John Hill, chairman, said a good third quarter's trading was more than offset by the effects of the October crash.

British Vita pushes profits up by 43% to over £28m

BY ANDREW HILL

British Vita, the polymer, fibre and fabric group, yesterday announced pre-tax profits of £28.25m for the year to December 31, up 43 per cent on the 1986 figure of £19.77m.

Turnover increased to £271m (£237m) and the Manchester-based company was able to lift profit margins to 9.2 per cent (7.5 per cent).

Interest charges dropped from £1.7m to £360,000, partly due to a successful rights issue which raised £42m last October and left the company with £4m cash in hand, despite the cost of acquisitions at the end of 1987.

As a result of the one-for-five rights issue, shareholders' funds nearly doubled to £98m at the year end, compared with just over £50m at the end of 1986.

Earnings per share increased 43.5 per cent to 33.3p (23.2p) and the company is recommending a final dividend of 5.25p making 9.16p (6.22p) for the year.

Mr Bob McGee, Vita's new chairman, said recent acquisitions had significantly boosted turnover in the first quarter of 1988, and demand was good throughout the group.

Profits from the UK subsidiaries and associated companies were up 65 per cent to £10.12m (£6.13m), assisted by contributions from several small acquisitions.

In Europe profits rose 41 per cent to £14.53m (£10.33m) while adverse exchange rates curbed growth in the company's international operations where profits rose 9 per cent to £3.6m (£3.3m).

A one-for-one scrip issue is proposed.

● comment

"The Magical World of Polymers" is Vita's catchphrase for its policy of finding new uses for technology developed by the big chemical concerns. At the moment Vita's management is excited by a flexible, easy to fit car ceiling panel, but Mr Bob McGee says the possibilities are endless. Last year's acquisitions of Metzeler and Royalite have taken the company into the area of hard plastic for commercial use, while the foresight of the core foam business is paying off as furniture manufacturers order Vita's fire retardant foam in advance of the Government'e flammability regulations dne next February. Further small purchases are likely this year, on the initiative of Vita subsidiaries' 15 managing directors, but although the increase in shareholders' funds makes a £50m corporate acquisition possible there is apparently nothing in view. Pre-tax profits of over £35m this year would put the shares on a prospective p/e of about 11.5. At yesterday's closing price of 435p, down 1p, they are on a well-deserved premium to the rest of the sector.

British Gas completes £222m deal

British Gas said yesterday that it had completed its C$516m (£222m) acquisition of a stake in Bow Valley Industries, the Canadian gas company, amounting to 33 per cent of Bow Valley's voting shares, or 51 per cent of the company's capital.

Some 47m common shares of the company were deposited in response to a British Gas offer to purchase 16m shares for C$20 each, amounting to a preliminary proration factor of 34 per cent.

Exchange rate movements cut TDG profit rise

BY FIONA THOMPSON

CURRENCY FLUCTUATIONS held back Transport Development Group'e 1987 profits by £1.5m in 1987. The distribution and storage group reported pre-tax profits of £43.5m for the year to December 31 1987, compared with £39.4m in 1986, on turnover only slightly ahead at £548.58m (£543.16m).

"The impact of exchange rate movements during 1987 has had a significant effect on the group's results," said Sir James Duncan, chairman. TDG's overseas companies accounted for 40 per cent of group turnover and 31 per cent of profits.

One of the largest distribution and storage groups in the UK, the company has a fleet of some 4,000 vehicles. About half of total UK turnover comes from moving food and drink – "Whatever people eat, we move," said Sir James – the rest comes from cold storage and plant hire. The group has contracts with national chains, such as J Sainsbury, Tesco, Boots, Woolworth and Comet.

The group further concentrated its activities in the past year, he said, with the sale of its exhibition companies.

In the UK the transport and distribution businesses were ahead but it was not an easy year for the cold storage companies, with the poor vegetable harvest and the decline in butter intervention stocks.

The big challenge facing the group was the changing distribution pattern. The proportion of the total distribution market handled by third parties is forecast to increase from the present 30 per cent to 60 per cent during the next seven years.

Overseas, Australia had a very poor year, said Sir James. Economic worries had hit the car carrying operations and the climate hurt the cotton storage business.

In the US the group has two transport companies - Willig, the principal subsidiary, produced good results but Market Transport made a small loss, hit by fierce competition and a fire which burned down the office.

On a geographical basis, overseas profits totalled £15.73m; down from last year's £16.88m - even with the 1986 figure restated to reflect exchange rates ruling at December 31 1987. UK profits rose from a restated £29.49m to £35.61m.

On a functional basis, UK transport profits rose from a restated £11.19m to £13.5m and storage profits from a restated £12.66m to £14.45m. Overseas, transport profits slipped to £9.85m from a restated £10.85m, and storage profits to £3.09m from a restated £3.34m.

Property sales resulted in an extraordinary credit of £3.87m. Tax took £14.63m, compared with £14.3m. Earnings per share rose from 17.15p to 20.05p. A final dividend of 2.25p has been recommended, making a total for the year of 8.5p (7.5p).

● comment

TDG has a good track record. Over the past four years its pre-tax profits have shown a compound growth rate of 19 per cent per annum and earnings per share 20.6 per cent. Though the overseas business was down more than expected last year, two-and-a-half months into this year a couple of problem areas are looking brighter. Distribution demand in Australia is picking up and the US, where a small acquisition is looking imminent, is showing strong growth potential. In the UK, last year's booming second half has continued into this year, though how long it will continue is anyone's guess. Forecasts of about £48m to £49m this year produce a prospective p/e of just over 10, reasonable.

NOTICE TO HOLDERS OF

The Sumitomo Marine and Fire Insurance Company, Limited
(the "Company")

Bearer Warrants to subscribe in aggregate up to ¥13,230,000,000 for shares of common stock of the Company (the "Warrants") issued in conjunction with the issue of its U.S.$100,000,000 4⅝ per cent. Bonds due 1993

Notice is hereby given that with respect to the issuance of new shares for free distribution authorised at the meeting of the Board of Directors held on 29th February, 1988, the shareholders appearing on the register of shareholders of the Company as at 3:00 p.m. on 31st March (Thursday), 1988 (Japan time) (the record date) will be allocated 0.05 new shares for each share held by them, and as a result of such authorisation of free distribution of shares the following adjustment of the subscription price for the Warrants shall be made pursuant to Condition 7 of the Terms and Conditions of the Warrants:

1. Current subscription price before adjustment: Yen 1,241.00
2. Subscription price after adjustment: Yen 1,181.90
3. Effective date of the adjustment (Japan time): 1st April, 1988

The Sumitomo Marine and Fire Insurance Company, Limited
By: The Sumitomo Bank, Limited
as Principal Paying Agent.

Dated: 15th March, 1988

UK COMPANY NEWS

FARM MACHINERY SALE AND RECENT ACQUISITIONS BOOST PROSPECTS

Ransomes Sims up 21% to £9.7m

BY MICHAEL SMITH

Ransomes Sims & Jefferies, grass machinery manufacturer, reported a 21 per cent growth in pre-tax profits from £8.04m to £9.73m for 1987.

Earnings were 20 per cent ahead at 25.6p per share (21.3p). The final dividend is being lifted from 4.35p to 5.2p making the total 7.2p (6p).

Net borrowings fell £4.6m with gearing down to 2.3 per cent at the year-end from 13.8 per cent at the end of 1986. Interest payments were lower at £964,000 (£1.73m). Tax took 2.61m (£2.13m).

Mr Bob Dodsworth, chief executive, said it had been an extremely satisfactory year for grass machinery. On the commercial side it was the third largest company in the US, the largest market, and market leader in the rest of the world.

G.D Mountfield, domestic grass machinery business, bought in 1985, had an excellent year and had proved to be a successful acquisition. It had considerable scope to increase its penetration in Europe.

Ransomes Property Developments increased pre-interest profits from £1.4m to £1.55m. A revaluation of properties revealed a surplus of £6.1m.

An extraordinary charge of £2.95m arose from the disposal of the farm machinery business to Electrolux Group. Ransomes will, however, benefit because the sale has enabled it to organise grass machinery production more efficiently and because the business made a poor return on capital employed.

The disposal will also release 217,000 sq ft of buildings and eight acres of land. These will be either sold or leased.

Ransomes said products launched for 1987 had been well received. The product development line remained full.

● comment

Since experiencing a sticky patch in the early 1980s, Ransomes has built up a record of steady, if unspectacular, growth. Overheads have been cut, borrowings reduced from £18m five years ago to £1m and pre-tax profits have risen from £3m to last year's £9.7m. That kind of progress is likely to continue, especially now that the farm machinery business has been removed. Ransomes may have difficulty in significantly improving its UK market shares but it can continue to lift margins through improved efficiency and through increasing sales of add-ons. There is plenty to go at in the US where a market share of about 15 per cent will be helped by the recent setting up of three distribution companies. The City expects pre-tax profits of about £11.3m this year but earnings growth will be held back by a rising tax charge, expected to be near 35 per cent. The resultant p/e of about 11 represents fair value, given that 7 per cent of the shares are held by F.H.Tomkins.

Norfolk clubs its way to a £5.2m profit

BY DAVID WALLER

Norfolk Capital yesterday fed its insatiable appetite for acquisitions with the purchase of the St James's Club in Los Angeles for a maximum of $34.5m (£18.6m) in cash.

At the same time, Norfolk announced a near-fourfold increase in pre-tax profits to £5.2m for 1987, a year in which the company mada four major acquisitions involving the issue of new shares.

The latest of these was the £22m purchase in August of the St James' Clubs in London and Paris, financed by a £44.2m one-for three rights issue. As part of the deal, Norfolk bought the option to buy the Los Angeles club; this was exercised yesterday.

Peter Eyles: buying on Sunset Boulevard

The Club, located on Sunset Boulevard in Hollywood, was opened only at the beginning of this month. Originally constructed in 1930, the art deco building houses two penthouses, two town house suites, 30 executive suites and 40 de-luxe bedrooms.

Last year's Norfolk pre-tax profits were £5.23m, against £1.14m in 1986 when the group had a very different complexion. Earnings per share rose 62.5 per cent to 1.3p, and the dividend was up by a fifth to 0.45p for the year. Turnover from £13.44m to £32.20m.

Included in the pre-tax result was a net exceptional credit of £475,000, arising after a £1m profit on the disposal of the Royal York Hotel had been offset against reorganisation costs and the costs in researching an abortive bid for the Westin group of hotels in the US. Interest payable was £100,000, whilst interest of £90,000 was capitalised.

According to Mr Peter Eyles, managing director, organic growth accounted for a quarter of the rise in pre-interest profits from £1.7m to £5.1m.

Occupancy levels in the group's London hotels rose by 6 per cent to 81 per cent last year, remaining static at 63 per cent in the country hotels. Room rates grew by 12 per cent in London and 16 per cent in the provinces.

Some 80 per cent of turnover derived from business people and "high net-worth" individuals; the balance from tourists.

Mr Anthony Richmond-Watson, chairman, said the October crash had not dealt a body-blow to Norfolk's ambition to make further acquisitions. "Only in a period of absolute bear market frenzy would it become difficult to finance suitable purchases."

● comment

So great was the transformation of Norfolk Capital last year that little is to be gained from comparing the year-on-year figures. However encouraging it is that earnings per shares jumped by nearly two-thirds despite a rise in the average number of shares in issue from 133m to 325m, it is at least a little odd that the pre-tax result should include a £1m profit on the disposal of the Royal York in Bath, treated as an exceptional item. Nevertheless, with organic growth accounting for a quarter of the increase in operating profits, and occupancy levels comfortably up across the board, Mr Peter Eyles' management is at last furnishing the performance promised in the stratospheric multiple traditionally accorded Norfolk's shares. Assuming pre-tax profits of £7.3m this year, the shares are on a prospective multiple of 20, half the pre-crash level. Still heady, despite the benefits to be derived from further exploitation of the St James's Club concept.

Armstrong Equipment meets target with £4m

IN LINE with expectations, first half pre-tax profit from Armstrong Equipment rose 14 per cent to £4.1m, and the directors expect the current period to show a further improvement in trading performance.

Demand remains firm across all sectors of the business.

Mr R Watts, chairman of this engineering group, said the halfway profit had been achieved despite the adverse effect of stock reduction and increased provisions for obsolescence.

Sales of £60.5m compared with £65.6m, giving a return of 6.8 (5.5) per cent, and confirming the prediction that restructuring would increase margins. Eliminating sales for discontinued businesses, the rise in turnover on continuing operations was 23 per cent. Of sales, 26 (24) per cent were achieved outside the UK.

Earnings for the period were unchanged at 6.4p but, in view of prospects, the interim dividend is lifted to 1.1p (0.9p).

Mr Watts said considerable success was achieved in improving the balance sheet, and gearing fell from 61 to 41 per cent over the six months. There were a number of contributing factors: completion of the disposal programme of unprofitable businesses; the sale of under-utilised properties; and reductions in working capital.

Blue Arrow moves to clarify County NatWest share stake

BY NIKKI TAIT

SHARES HELD by County NatWest in Blue Arrow, now the world's largest employment agency, could form part of an American Depository Receipt offering in the US in the coming months.

At Blue Arrow's annual meeting in the Savoy Hotel yesterday, chairman Mr Tony Berry told shareholders that the company would "take steps to clarify the County NatWest holding in the future", and expected to put out a statement on the matter in due course.

In response to a questioner, he denied there was any conflict between County's roles as substantial shareholder and as merchant bank adviser to Blue Arrow, but added that the situation was being "reviewed constantly."

Elaborating afterwards, Mr Berry conceded that the 9.4 per cent interest picked up by County was clouding the share price and creating a potential "perceived overhang."

However, he said that Blue Arrow believed there was considerable enthusiasm among US investors for its shares and was actively looking at the possibility of an ADR issue – something which had been mooted since last autumn.

Such a move, suggested Mr Berry, could be made within the next three months. Dillon Read, the American investment bank, was advising on the matter.

Mr Berry added that Blue Arrow would be unlikely to issue new shares in conjunction with such an issue and said it was possible that part of the 9.4 per cent County holding could be involved.

County, which advised Blue Arrow during its $1.3bn bid for US group Manpower last summer, picked up its holding when the rump of a £837m rights issue – 51 per cent of it – was placed out in late September. County NatWest took just under 5 per cent and the market-making arm, County NatWest Securities, a further 4.6 per cent. Blue Arrow's shares were then badly hit in the October crash, and County's loss on the stake contributed heavily to NatWest Investment Bank's £116m deficit in 1987.

County said yesterday that it had told the Blue Arrow board that it would not sell on its holding without consulting the company, and had no current plans to trickle shares out into the London market.

Alida improves to £4.4m despite a fall in margins

DESPITE DIFFICULT trading conditions Alida Holdings, packaging group, produced record sales and profits in 1987, and says propsects are very encouraging.

Sales rose 35 per cent to £51.87m (£38.48m) and the pre-tax profit by 16 per cent to £4.4m (£3.8m). Mr R. Stone, chairman, explained that margins eased to 8.5 (9.9) per cent mainly because of a delay in recovering raw material cost increases.

Manufacturing companies recorded an 18.5 per cent increase in profit, while the rise in merchanting and distribution was a "disappointing" 12 per cent.

Mr Stone said the most severe of trading problems was a 50 per cent increase in raw material prices for the manufacturing side, while operating in a highly competitive and fluctuating market.

On the current year, the chairman said demand for products was above normal. He was anticipating much more stable raw material prices. Capital expenditure will be increased substantially.

Earnings for 1987 came through at 25.2p (22.1p) and the final dividend is 6.75p for a total of 9.25p, against 8p.

Citygrove above £2m

Citygrove, USM-quoted property developer and financier, showed substantial growth in the year ended November 30 1987, with turnover rising from £12.9m to £34.28m and pre-tax profit from £715,000 to £2.18m.

The directors expected more major retailers to seek edge-of-town locations.

Rental expansion in retail parks wes satisfactory, with recent growth everaging 13 per cent annually over the past four years.

Earnings were 20.04p (9.37p). A final dividend of 2.5p makes a 4p total (1.5p).

In the near future the directors plan to seek a full listing.

Wyndham deal gives it a stake in property venture

BY NIKKI TAIT

CARDIFF-BASED Wyndham Group, whose interests span engineering, property investment, financial services and motor franchises, yesterday announced that it was selling a 50 per cent interest in a private property investment and dealing company called Dovearch for £493,181.

Consideration will be satisfied by the issue to Wyndham of 1.97m shares in another new, unlisted property company, I-MEX Group. The Wyndham stake will represent 28.02 per cent of I-MEX.

Wyndham said yesterday that it had taken the 50 per cent interest in Dovearch when the company was formed at a cost of £50.

Dovearch had subseqnently financed its activities by bank borrowings, according to Mr Brian Brownhill, Wyndham chairman, and now had net assets of just under £1m. Mr Brownhill said that the company's main emphasis had been on the acquisition of warehouse space, which it had then broken into workshop units and let.

I-MEX will take in two other property companies, aside from Dovearch – Taylor Wilson Construction and Dalrex – plus a property purchased from Wyndham.

The vendors of Taylor and Dalrex, plus holders of the other 50 per cent of Dovearch, will hold almost 62 per cent of I-MEX in total. A further 10 per cent goes to merchant bank Hill Samuel.

Keep Trust soars to £4m

Keep Trust, a motor distribution group with industrial interests, raised its profits from £2.71m to £4.3m pre-tax for 1987.

From sharply higher earnings of 41.4p (29.3p) shareholders are to receive a 2.25p increase in their dividend to 9p via a final of 6p.

Turnover pushed ahead to £91.1m, an increase of 17 per cent over the previous year's £77.7m.

The directors said the results were reflected throughout group operations with particular emphasis in the motor division, which distributes Vauxhall and Ford cars.

In October last year Fitzwilton subscribed for 30 per cent of Keep's enlarged share capital which the directors said had substantially improved the group's liquidity.

WHITBREAD AND COMPANY, LIMITED
£15,000,000 10½ per cent. Sterling Foreign Currency Bonds 1990

Notice is hereby given that, in accordance with the Conditions of the Bonds, 778 Bonds each of £1,000 principal amount have been drawn for repayment at their principal amount on the 15th April 1988 in full settlement of the instalment of the sinking fund due 15th April 1988, the balance having been purchased for cancellation. From that date, interest on the Bonds so drawn will cease to accrue; their definitive numbers are as follows:—

6	1382	3081	4558	5449	6369	8455	10030	10838	11650	12421	14108	14893
8	1404	3115	4577	5459	6371	8502	10039	10863	11663	12425	14126	14905
26	1661	3135	4583	5478	6389	8518	10057	10864	11675	12430	14132	14920
31	1673	3146	4602	5501	6393	8662	10065	10891	11687	12795	14151	14930
32	1677	3185	4606	5520	6394	8928	10085	10892	11705	12799	14158	14948
52	1685	3187	4609	5529	6507	8933	10091	10916	11714	12824	14177	14957
57	1702	3253	4625	5545	6508	9019	10111	10919	11728	12825	14186	14974
58	1767	3254	4628	5552	6531	9139	10118	10943	11737	12856	14205	14982
80	1804	3350	4633	5556	6533	9197	10137	10946	11754	12857	14215	14995
83	1819	3351	4648	5569	6542	9348	10139	10969	11764	12879	14229	15009
84	1836	3407	4657	5575	6642	9361	10144	10974	11780	12883	14239	
106	1847	3409	4671	5596	6645	9377	10167	10996	11787	13018	14260	
107	1861	3432	4687	5601	6700	9389	10170	11001	11806	13021	14273	
109	1871	3435	4700	5622	6784	9402	10194	11021	11813	13043	14285	
134	1884	3474	4711	5626	7023	9414	10196	11028	11831	13047	14297	
137	1924	3505	4732	5647	7304	9428	10222	11030	11836	13071	14310	
158	1972	3540	4750	5650	7309	9438	10223	11048	11858	13076	14328	
162	1989	3556	4761	5680	7329	9455	10249	11056	11862	13098	14338	
183	1998	3575	4774	5682	7335	9463	10250	11074	11882	13100	14357	
188	2023	3581	4784	5694	7354	9468	10286	11083	11885	13119	14366	
211	2033	3604	4802	5704	7362	9479	10288	11100	11911	13130	14386	
218	2076	3631	4823	5705	7379	9486	10312	11111	11913	13150	14396	
235	2085	3657	4839	5730	7388	9505	10315	11124	11925	13154	14398	
242	2129	3666	4850	5731	7393	9512	10339	11138	11936	13158	14414	
261	2150	3696	4888	5754	7404	9530	10343	11149	11957	13173	14421	
269	2156	3706	4895	5757	7414	9535	10364	11166	11962	13182	14439	
284	2180	3727	4918	5779	7430	9557	10370	11176	11964	13196	14448	
293	2186	3743	4924	5782	7440	9561	10391	11193	11985	13207	14466	
313	2220	3761	4942	5803	7453	9582	10398	11202	11988	13219	14471	
322	2225	3773	4947	5807	7467	9585	10417	11220	12010	13221	14497	
338	2296	3788	4992	5832	7479	9607	10425	11228	12014	13232	14501	
349	2313	3795	5010	5837	7498	9609	10444	11250	12033	13244	14504	
369	2357	3800	5050	5856	7502	9633	10452	11257	12039	13256	14521	
439	2363	3822	5053	5862	7520	9634	10469	11276	12059	13270	14524	
465	2399	3835	5075	5881	7529	9659	10480	11281	12065	13287	14530	
496	2401	3846	5077	5888	7545	9660	10496	11303	12069	13296	14552	
509	2408	3865	5102	5904	7554	9683	10507	11307	12089	13311	14579	
547	2424	3874	5103	5912	7571	9685	10522	11329	12108	13319	14580	
617	2444	3886	5128	5930	7578	9708	10527	11333	12115	13321	14603	
632	2468	3894	5129	5941	7596	9711	10535	11357	12132	13340	14604	
643	2477	3945	5152	5955	7604	9732	10549	11359	12140	13347	14629	
747	2513	3982	5154	5965	7626	9734	10563	11384	12155	13567	14631	
755	2541	3994	5176	5978	7630	9736	10574	11385	12166	13574	14635	
772	2555	4023	5179	5992	7651	9757	10589	11411	12173	13858	14659	
779	2567	4030	5199	6004	7654	9763	10593	11412	12180	13876	14683	
797	2600	4053	5204	6016	7685	9781	10601	11438	12192	13881	14687	
803	2615	4058	5224	6027	7710	9787	10617	11440	12205	13900	14706	
822	2625	4080	5230	6049	7711	9804	10627	11452	12216	13904	14711	
839	2631	4084	5244	6069	7723	9812	10644	11462	12229	13929	14717	
865	2671	4226	5249	6094	7735	9831	10654	11465	12242	13932	14729	
883	2689	4231	5255	6104	7736	9840	10672	11487	12254	13953	14735	
952	2738	4409	5273	6142	7760	9855	10680	11492	12267	13955	14752	
1032	2795	4411	5282	6150	7763	9866	10700	11514	12277	13977	14759	
1089	2828	4434	5289	6154	7788	9881	10706	11520	12298	13978	14772	
1091	2839	4435	5307	6167	7792	9893	10727	11541	12302	14001	14776	
1258	2872	4458	5324	6174	7814	9908	10732	11548	12314	14002	14785	
1267	2880	4459	5333	6194	7818	9920	10753	11565	12317	14029	14800	
1306	2980	4482	5348	6201	7837	9934	10759	11574	12327	14031	14810	
1316	2986	4484	5359	6219	7843	9947	10777	11576	12344	14032	14826	
1319	3018	4507	5374	6235	7863	9960	10780	11589	12351	14035	14840	
1332	3024	4510	5385	6256	7898	9974	10786	11598	12371	14074	14847	
1346	3038	4530	5398	6270	7961	9986	10808	11614	12378	14078	14855	
1359	3050	4534	5411	6290	7966	10002	10811	11625	12397	14084	14867	
1371	3062	4553	5422	6304	8172	10013	10835	11639	12402	14103	14879	

The Bonds were drawn in the presence of Mrs. K. J. Bennett and Miss. L. Nicholls, Kleinwort Benson Limited, 20 Fenchurch Street, London EC3P 3DB.

On or after 15th April 1988, the above Bonds may be presented for redemption at their principal amount at the specified offices of the paying agents appointed as mentioned in the Conditions of the Bonds. Each of the above Bonds, when presented for redemption, must be accompanied by all the Coupons maturing after the redemption date. If such Coupons are not attached, the amount of the missing unmatured Coupons will be deducted from the sum due for payment. The Coupons due on 15th April 1988 should be presented for payment in the normal manner.

15th March 1988 — Whitbread and Company, Limited

David Blackwell looks at the issues which led to the collapse of the international talks

Cocoa pact heading down a dead-end street

"WE DID not work hard enough or with enough imagination. At 4am we hit dead-end street."

This was the verdict of one weary delegate on the collapse of the International Cocoa Organisation talks early on Saturday morning with no agreement on fresh measures to halt the slide in cocoa prices to five-and-a-half-year lows.

The general feeling among delegates was that the last few days of the fortnight's talks in London had failed to get to grips with the real issues facing the organisation.

Some consumer countries were amazed that more than an hour of Friday morning's session was spent discussing a possible mission from the ICCO to persuade Malaysia – the world's fourth biggest producer – to join the pact.

Now the 1986 pact itself looks in jeopardy. According to one delegate, the next few months could see the death throes of the agreement as a force in the market.

The fact that the markets had already largely discounted the failure of the talks did not prevent prices from falling sharply again yesterday.

The benchmark second position futures contract closed down £24 a tonne at £930 a tonne – a fall of £138 since the beginning of this year and the lowest level since August 1982.

The turning point in the talks came last Wednesday when producers blocked discussion on a downward adjustment of support prices, which were lowered to a range of 1,485 and 2,155 Special Drawing Rights a tonne at an emergency ICCO session in January.

Consumer countries said it was crystal clear under the rules of the agreement that a cut of at least 115 SDRs should be made as 75,000 tonnes had been bought for the buffer stock in only six weeks.

Mr Peter Baron, the consumer spokesman, said: "Our position is quite clear - there will be no bending of the rules."

But the latest purchases had taken the buffer stock - designed to support prices by taking cocoa off the market - to the maximum permissible 250,000 tonnes. Producers were equally determined that it was pointless to cut the support price further as the buffer stock was full.

In the early hours of Saturday morning, seven consumer countries, including Britain, the USSR and Japan, invoked the disputes procedure, effectively freezing all further support measures, including the much-vaunted withholding scheme.

This was approved after a five-day discussion had ruled out such diverse ideas as destroying the buffer stock, using cocoa butter in cosmetics and encouraging the Chinese to develop a taste for chocolate.

The scheme was designed to put 120,000 tonnes of cocoa into storage in countries of origin. But it did not ever look like getting off the ground because of a chronic lack of finance – another important issue which the meeting appears to have skirted.

The Ivory Coast, the world's biggest producer, and Brazil between them owe the organisation more than $40m in levies.

Brazil has said that it intends to pay its arrears of about $12m, but early in the ICCO talks a senior Ivorian delegate said that a recent International Monetary Fund loan, part of which was immediately available to offset weak commodity prices, would not be used to clear his country's debt.

The buffer stock manager, who has already to finance the maintenance of the 250,000 tonnes he holds, estimated that the maximum amount he could have funded under the withholding scheme in these circumstances was 30,000 tonnes.

This is a drop in the ocean compared with the glut of world cocoa supplies. Traders have put the surplus from the 1987-88 crop alone at up to 140,000 tonnes, giving total world stocks of 750,000 tonnes, or enough for 4½ months' consumption.

The surplus has accumulated from excess harvests in the past four years. The cocoa agreement was not meant to sustain such an excess, one producer delegate said yesterday. "If we have a fifth year of surplus, we'll be all washed up."

Ironically, the Ivory Coast, which is so far behind with its levies, is getting a premium of about £85 a tonne for its cocoa in the market at the moment because it is in short supply.

It has not shipped out much cocoa recently, and it is Ivory Coast cocoa which is much favoured by the chocolate manufacturers.

The price of a chocolate bar is not much affected by a fall in the cocoa price as other ingredients such as milk and sugar make up a higher proportion of the cost.

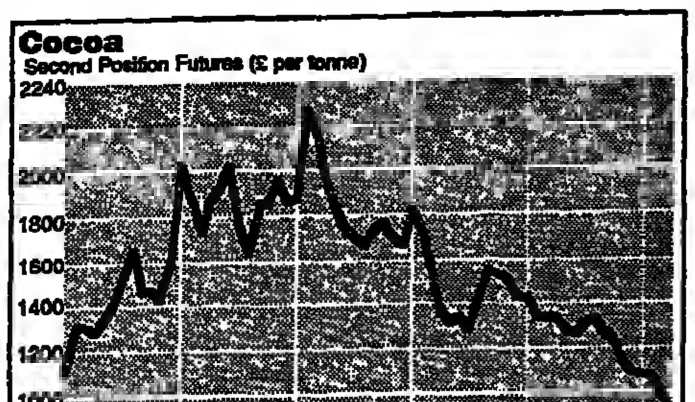
But the manufacturers are not keen to see prices fall to such low levels that their continuity of supply is threatened by producers going bankrupt.

However, the fundamental factors in the market look set to remain bearish, say analysts, and prices could soon fall below the £900 a tonne level.

The forecasts for the 1988-89 crop will start to surface next September when the next ICCO Council session will meet to consider the findings of the arbitration panel, which will be set up in June.

But the panel's recommendations on the deadlock over the support price rules will be not be binding, hence the feeling among some delegates that the whole exercise is a complete waste of time and money.

One said: "In the end the problem will be thrown back to the ICCO Council."



Oil prices give back over half the gains

By Steven Butler

OIL PRICES yesterday gave back more than half the gains of last week following comments by Mr Hisham Nazer, the Saudi Arabian Oil Minister, that Saudi Arabia did not support a cut in output by members of the Organisation of Petroleum Exporting Countries.

Suggestions last week that Opec may call a meeting of its price committee to consider such a proposal had led traders to cover short positions, and lifted the price for Brent oil off its 16-month lows of less than $14 a barrel on cargoes for immediate delivery.

Brent oil yesterday slid by 61 cents to close at $14.41 a barrel for April cargoes. At the New York Mercantile Exchange, April light crude contracts were trading off 58 cents at $15.73 in midday trading.

Sentiment, however, was not entirely pessimistic. Mr Geoff Pyne, oil analyst at Phillips and Drew, said: "The fundamentals are not getting any worse."

He said the first quarter of the year was likely to end with about the same level of stock surplus that greeted the new year.

He predicted that Brent prices would average $16.50 in the second quarter, none the less, as the stock surplus is drawn down.

Estimates for current Opec oil production range slightly above and below 17.5m barrels per day, indicating that Opec nations are producing within quota limits agreed at December's Opec meeting.

The surplus of stocks is accounted for by previous high Opec production in the last half of 1987, mild winter weather in Japan and Western Europe, and by an increase in non-Opec oil production.

Spot market prices have also fallen in response to the steady erosion of the Opec reference price of $18 dollars, as Opec members progressively cave in to purchasers' demands for market-related discounts.

The Middle East Economic Survey, the authoritative weekly, yesterday reported that Shell and BP were considering suspending the lifting of 400,000 barrels per day of Saudi crude oil until they receive market-related prices.

BP and Shell are contracted to lift the oil in payment for Saudi purchases of British warplanes.

Although Saudi Arabia is believed producing near to its 4.3m b/d Opec quota, much of the oil is thought to be unsold and has gone into storage.

Any sign that Saudi Arabia is broadening price discounts would be a strong bearish signal to the market.

Canadian mining group denies end to dispute over nickel

BY KENNETH GOODING, MINING CORRESPONDENT

FALCONBRIDGE, the Canadian mining group, yesterday denied that the dispute which has virtually halted shipments of nickel from the Dominican Republic was over.

The nickel price dropped sharply in London early yesterday on reports from the Dominican Republic that agreement had been reached.

Nickel for delivery in three months fell to $4.50 a lb in pre-market trading compared with the record $5.31 reached at one point last Friday.

Once the Falconbridge denial and news of a further fall in nickel stocks had been absorbed by the market, the price recovered to $4.99 a lb by the close last night.

Earlier, the London Metal Exchange said its nickel stocks fell by another 306 tonnes last week to 2,472 tonnes, the lowest level since last November's five-year low of 2,220 tonnes.

Falconbridge owns 85 per cent of its Dominican Republic subsidiary, which supplies about 5 per cent of the Western world's nickel production. The dispute flared up in December over the proposed imposition of new export duties by the Dominican Republic Government.

Production has continued and nickel stockpiled since that time – some estimates put the total at 5,000 tonnes – but few shipments have been permitted to leave.

The first shipments in January took place after Falconbridge Dominicana paid about $2m to be applied against "future taxes."

A Falconbridge official said yesterday that a further $1m was paid last week towards future taxes.

This was followed on Saturday by the departure of a ship carrying about 1m lbs (nearly 500 tonnes) of nickel from the Dominican Republic bound for the US.

However, Falconbridge said no further shipments were scheduled. "Production continues, however, and we are continuing negotiations with the government. We are still hoping for a settlement," it said.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium standard	-2150	to	16,825
Aluminium high grade	-11650	to	25,200
Copper	-4250	to	54,350
Lead	-1550	to	18,675
Nickel	-306	to	2,472
Zinc	-825	to	36,625
Tin	-45	to	19,040
Silver (oz).	+48,000	to	19,656,000

Comex votes in man of action

BY DEBORAH HARGREAVES IN BOCA RATON, FLORIDA

IN A VOTE for less talk and more action, members of New York's Commodity Exchange last week elected Mr John Hanemann, a veteran of the exchange's gold futures pit, as their new chairman.

Conscious of the exchange's poor image, the ebullient Mr Hanemann pledged strong leadership to get things done "instead of just talking about them." As the first elected chairman in the exchange's history, he replaces Mr Alan Brody, who members had criticised as being out of touch with their needs. He remains president.

As a popular floor trader, the 44-year-old Mr Hanemann has made improving the morale of the membership his first concern. "Most of Comex's image problems were partly self-inflicted. We're going to make the board and the staff much more responsive to establish a better relationship," he said.

Morale has been at a low ebb after some of Comex's most recent problems, many of which were pinned on the lack of strong leadership at the 54-year-old exchange. Most recently, the exchange was forced to close early for three days in a row last April because of a jam in its clearing system that processes trades.

Attributing the clearing backlog to a big drop in the silver price and an influx of orders, Mr Hanemann said it forced the exchange to improve its clearing system as quickly as possible.

One of Mr Hanemann's first priorities is to re-open merger talks with the New York Mercantile Exchange as a precursor to an administrative link-up between all five New York futures exchanges. The merger talks, which had been going on "fabulously," according to Mr Hanemann, were put on ice during the political upheaval at Comex.

Mr Hanemann, who started his trading career at Nymex, believes he will forge a good relationship between the exchanges "because they're all my friends. The meetings were loud and boisterous, but we solved most of the problems," he said, including a provision for remaining litigation that hangs over Comex from the failure of Volume Investors Corp, one of its clearing firms, in 1985.

While Comex and Nymex have talked about a merger on and off for the best part of 10 years, the marriage has always been called off at the last minute in spite of the cost savings it would accrue. "Their costs of running the business are as bad as ours. We've got to move into the 21st century and have been hampered by our technology."

A merger would aid Comex in its bid to diversify out of its core metal contracts into the financial products area. The exchange has been repeatedly unsuccessful at launching a new product aside from options on gold, silver and copper.

Its most recent hope of a success in financial futures was dashed when its corporate bond futures contract, launched last October, flopped and now registers virtually no trades at all.

Nevertheless, Mr Hanemann is undeterred on diversification. "Comex, being in New York, has to continue to develop financial products. I guess we have to take our knocks like everyone else in the industry."

One of his ideas to boost interest in Comex's metals contracts is to make use of a small stock exchange, the Intermountain Exchange, which Comex owns in Colorado. To trade mining stocks alongside Comex's gold and silver futures and options would be "a great hedge," he said.

Mr Hanemann, a self-proclaimed man of action, assumed his position hours before arriving at the futures industry's annual convention in Florida last week. From a chair on the beach, he conducted a quick succession of interviews about what he wants to do at Comex. Back in wintry New York, he now has his work cut out.

Falklands fishing zone 'cannot offer guarantees'

BY ROBERT GRAHAM

THE 150-mile fishing zone around the Falklands, declared unilaterally by Britain in 1986, cannot guarantee effective conservation of the main fish stocks, according to a study published by the South Atlantic Council, an independent body designed to foster understanding between Argentina and the UK.

The study, by Dr Peter Willetts of the City University, London, argues that the bulk of the fishing in the South Atlantic takes place outside on the high seas - out of both the Falklands fishing zone and Argentina's 200-mile territorial limit.

Dr Willetts maintains that the Falklands Islands Interim Conservation and Management Zone (FICZ) covers an area where less than half the total South Atlantic catch was taken before 1986. Strict controls in the FICZ of the most valuable catch, the illex squid, will only increase fishing for this species on the high seas, he says.

Only a multilateral regime covering Argentine mainland waters, the waters around the islands and the high seas to the north of the Falklands can monitor and control the whole ecological system.

Dr Willetts says Britain failed to give the Food and Agriculture Organisation of the United Nations sufficient time to come up with a multilateral regime for the fisheries - the last area rich in resources where international fishing conservation measures do not apply.

Equally, he takes the Argentine Government to task for paying insufficient attention to conservation measures.

Dr Willetts emphasises the need for an understanding between Buenos Aires and London because of the large overlap between Argentina's 200-mile economic exclusion zone and Falkland waters - a claim separate from Argentina's demand for sovereignty over the islands.

The study does not mention, however, that indirect contacts are continuing between the UK and Argentina over working towards a multilateral fisheries regime. Despite the diplomatic row over Fire Focus, the current military exercise in the Falklands, Britain remains hopeful these contacts will continue.

The illex season in the FICZ opened this month with 180 licences on offer, all but two of which were taken up. The total catch from the FICZ is estimated at about £450m.

Fishing in the South Atlantic, Dr Peter Willetts, South Atlantic Council, London, £1.

Gold mining group sells beyond peak

BY KENNETH GOODING IN LONDON

BREAKWATER RESOURCES, the Canadian mining company, sold forward half its 1987 gold production for US$503 a troy ounce, Mr Brian Pewsey, the president, revealed yesterday.

This compares with the peak London market price of $502.75 an ounce for gold bullion reached last December and the average cash cost of production of $187 an ounce last year at the Cannon Mine, Wenatchee, Washington, in which Breakwater has a 49 per cent interest.

Mr Pewsey said that his company was budgeting on the basis that the gold price would average $432 an ounce in 1988.

He suggested that the price this year would not go above $500 an ounce "because there is tremendous selling pressure when it reaches $480."

However, the price was being underpinned by the jewellery manufacturers, who have been buying when the price falls to $430 and drop out of the market once $470 is reached, said Mr Pewsey.

Gold bullion closed last night in London 25 cents up on Friday's closing price at $441.25.

Mr Pewsey was in London for a Breakwater presentation to investment institutions and stockbrokers' analysts.

He said that Breakwater last year sold forward 24,120 ounces of gold in blocks of no more than 5,000 ounces a time to achieve its high price.

Moly oxide prices reach record

THE FREE market price of molybdenum oxide reached $4.25 a lb in London yesterday, its highest level for three years, up about 55 cents from Friday, reports Reuter.

Traders suggested that demand from the steel industry, particularly in Japan, had helped lift the price from about $3 in January this year and the depressed $2.55 eight months ago.

They said the free market price was now well above the North American producers' prices of $3.35 and $3.60 a lb quoted by Cyprus Minerals and Amax respectively.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM PRICES touched record highs on the London Metal Exchange following a drop of 14,400 tonnes to 42,025 tonnes in combined stocks of both 99.5 and 99.7 per cent pure metal at LME warehouses. The fall in LME stocks to the lowest levels since October 1980 erased the bearish impact of last week's news from the International Primary Aluminium Institute of a rise of 130,000 tonnes in non-Socialist world producers' stocks. Three-month 99.5 metal closed at £1,209.50 a tonne and 99.7 metal at $2,245, rises of £25.50 and $35 respectively. Zinc prices touched 3⅞-year dollar highs in morning trading before easing in the afternoon to close almost unchanged after trade selling and profit taking.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.80-2.90y	-0.475
Brent Blend	$14.40-4.43y	-0.61
W.T.I.(1 pm est)	$15.79-5.84y	-0.41
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$166-168	-1
Gas Oil (Soviet)	$128-130	-2
Heavy Fuel Oil	$63-65	-2
Naphtha	$136-138	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$441.25	+0.25
Silver (per troy oz)♣	623c	+1
Platinum (per troy oz)	$492.75	+0.25
Palladium (per troy oz)	$122.50	+0.50
Aluminium (free market)	$2405	+40
Copper (US Producer)	110⅝-14c	
Lead (US Producer)	35.5c	
Nickel (free market)	590c	
Tin (European free market)	£3745.0	+2.5
Tin (Kuala Lumpur market)	17.34r	+0.01
Tin (New York)	321.5c	+1.0
Zinc (Euro. Prod. Price)	$920	
Zinc (US Prime Western)	48.5c	+3.125
Cattle (live weight)†	109.64p	-0.46*
Sheep (dead weight)†	187.87p	-8.67*
Pigs (live weight)†	70.62p	+1.17*
London daily sugar (raw)	$221.00x	+1.00
London daily sugar (white)	$234.00x	+0.80
Tate and Lyle export price	£225.00	
Barley (English feed)	£107.00y	-1.80
Maize (US No. 3 yellow)	£134.00	
Wheat (US Dark Northern)	£83.25s	-0.75
Rubber (spot)♥	61.75p	+0.25
Rubber (Apr) ♥	65.75p	+0.25
Rubber (May) ♥	65.75p	+0.25
Rubber (KL RSS No 1 Mar)	265.00my	-0.50
Coconut oil (Philippines)§	$540.00x	+5.00
Palm Oil (Malaysian)§	$377.50	+10.00
Copra (Philippines)§	$370.00x	
Soyabeans (US)	£150.00	-1.80
Cotton "A" Index	66.60c	+0.60
Wooltops (64s Super)	570p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. z-Mar. u-Apr/Sep. x-Mar/Apr. y-Apr. t-Apr/Jun. s-Apr/May.†Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Mar	908	936	214	906
May	930	954	944	924
Jly	948	970	962	941
Sep	963	987	979	958
Dec	989	1011	1002	986
Mar	1017	1036	1028	1010
May	1037	1056	1046	1028

Turnover:6244 (5861) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for March 11 : 1243.34 (1243.95) .10 day average for March 11 : 1255.75 (1259.32).

COFFEE £/tonne

	Close	Previous	High/Low	
Mar	1142	1131	1141	1131
May	1172	1164	1172	1150
Jly	1198	1188	1196	1183
Sep	1220	1210	1220	1207
Nov	1245	1236	1244	1234
Jan	1270	1263	1261	1259
Mar	1285	1280		

Turnover: 1092 (2303) lots of 5 tonnes
ICO indicator prices (US cents per pound) for March 14: Comp. daily 1979 119.78 (118.50); 15 day average 120.40 (120.64).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
May	185.00	188.50	188.60	184.60
Aug	184.60	188.60	187.20	184.80
Oct	184.80	188.40	188.60	184.20
Dec	183.80	187.80		
Mar	185.00	189.00	187.00	185.00
May	187.80	192.50		
White	**Close**	**Previous**	**High/Low**	
May	229.00	231.80	231.80	228.20
Aug	229.00	231.00	231.00	220.80
Oct	229.00	230.50		
Dec	229.80	230.50		
Mar	231.00	232.50	232.00	231.80
May	230.80	235.00		
Aug	234.00	237.80		

Turnover: Raw 691 (873) lots of 50 tonnes; White 293 (1039).
Paris- White (FFr per tonne): May 1302, Aug 1302, Oct 1302, Dec 1302, Mar 1315, May 1330

GAS OIL $/tonne

	Close	Previous	High/Low	
Apr	125.50	128.75	127.80	124.75
May	124.00	127.75	127.00	123.75
Jun	126.25	129.00	127.50	125.25
Jul	126.25	129.25	127.50	125.75
Aug	127.50	129.00	127.50	127.25

Turnover: 5361 (4003) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Mar	103.50	103.85	103.75	103.50
May	105.45	105.90	105.50	105.35
Jly	107.90	108.40	107.90	107.75
Sep	101.00	101.50	101.00	101.80
Nov	102.85	103.40	102.85	102.80
Jan	105.00	105.30	105.00	105.00
Mar	107.00	107.40	107.40	107.80
Barley	**Close**	**Previous**	**High/Low**	
Mar	102.15	102.70	102.40	102.00
May	104.25	104.75	104.30	104.05
Sep	97.40	97.80	97.40	97.40
Nov	100.00	100.50	100.25	100.00
Jan	102.30	102.80	102.30	102.30
Mar	104.30	104.80	104.30	104.30

Turnover: Wheat 134 (280) . Barley 79 (57) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2400-10	2346-65		2400-5		
3 months	2240-60	2200-20		2240-60	2246-65	3,880 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 12,100 tonne
Cash	1299-301	1264-8	1293/1290	1298-4		
3 months	1209-10	1183-5	1216/1170	1200.5-1.5	1216-1	47,385 lots
Copper, Grade A (£ per tonne)						Ring turnover 33,550 tonne
Cash	1301-3	1305-7	1330/1319	1319-20		
3 months	1223-5	1214-5	1234/1208	1223-4	1270-1	68,454 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1256-65	1246-55		1260-80		
3 months	1195-205	1185-95		1195-205		27 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	618-21	614-6	618	618-9		
3 months	629-32	624-6		629-32	628-33	663 lots
Lead (£ per tonne)						Ring turnover 13,500 tonne
Cash	352-4	339-51	354.5/354	354-4.5		
3 months	331-2	334-5	335/330	331-1.5	328-30	11,388 lots
Nickel ($ per tonne)						Ring turnover 858 tonne
Cash	12950-3050	13500-600		12900-3000		
3 months	10875-1025	11600-1	11075/10150	10800-10	10800-50	5,860 lots
Zinc (£ per tonne)						Ring turnover 5,550 tonne
Cash	517-9	519-20	521.5/517	521-1.5		
3 months	519-9.5	519-20	524/518	521-2	519-9.5	13,508 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Apr	144.80	142.00	145.0	142.0
May	153.90	150.50	153.9	152.0
Nov	93.50	90.80	93.5	93.5
Feb	101.80	100.80	101.0	100.0
Apr	140.80	137.80	140.9	138.5

Turnover: 870 (638) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Apr	122.00	120.50		
Jun	118.50	117.20	117.50	117.80
Aug	117.00	116.00	117.80	116.50
Oct	119.00	117.10	118.00	118.00
Dec	124.00	121.80		

Turnover: 38 (3979) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Apr	1667.5	1660.0	665.0	657.5
Jly	1539.0	1529.0	542.0	531.0
Oct	1570.5	1554.0	573.0	566.0
Jan	1540.0	1550.0	540.0	540.0
BFI	1583.5	1582.0	583.5	583.5

Turnover: 273 (568)

TEA
There were 29,759 packages on offer including 6,400 packages in the offshore section, reports the Tea Brokers Association. A strong demand prevailed. Best liquoring Assams ruled firm to dearer while lesser mediums met improved competition and often gained 5-10p or more. *Bangladesh teas came to a selective market* and lost several pence with plainer sorts rather weak. Best East Africans sold readily at firm to dearer rates but coloury mediums were the feature of the sale and often gained 5-10p apart from dusts. Central Africans came in for good competition and though prices were irregular some teas were substantially dearer. In the offshore section Kenya teas were 1-2p easier while other growths were irregular but frequently dearer. Quotations: Quality NQ (NQ), Medium 120p (same), Low medium 92p (same).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	441-441½	238¼-238¾
Opening	442-442½	238¼-238¾
Morning fix	441.30	237.568
Afternoon fix	442.85	238.364
Day's high	440¾-443	
Day's low	441-441½	
Coins	**$ price**	**£ equivalent**
US Eagle	454¼-459¼	245½-248½
Mapleleaf	454¼-459¼	245½-248½
Britannia	454¼-459¼	245½-248½
Krugerrand	438¼-443¾	237½-239½
1/2 Krug	229-238	123⅞-128¾
1/4 Krug	113½-121½	61¼-65¼
Angel	453-458	245-247¼
1/10 Angel	45-50	24¼-27
New Sov.	103¼-104¾	56-56¾
Old Sov.	103¼-105¼	56-57
Noble Plat	508¾-512¾	274⅞-277⅞

Silver fix	p/fine oz	US cts equiv
Spot	335.20	623.00
3 months	342.65	633.75
6 months	349.75	643.85
12 months	365.50	667.20

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
2150	234	175	66	166
2250	174	133	105	223
2300	148	116	128	254
Aluminium (99.5%)	**Calls**		**Puts**	
2150	208	160	59	173
2250	148	121	98	232
2300	123	104	123	264
Copper (Grade A)	**Calls**		**Puts**	
2150	246	215	91	176
2250	189	172	134	231
2300	165	155	168	261

US MARKETS

Precious metals closed mixed in dull trading with most markets held to a narrow daily range, reports Drexel Burnham Lambert. Light bank buying was noted in gold, but local selling in gold and platinum eased prices. In the morning silver was firm and dominated by local activity. Reports that LME stocks fell sharply led to early trade buying in copper, but aggressive local selling eased prices towards the close. Energy futures fell as trade and technical selling combined with local selling kept LME markets on the defensive with brief rallies on short-covering. The softs were lower across the board, coffee and cocoa on speculative selling and long liquidation, sugar on a combination of trade and commission house selling in otherwise lacklustre trading.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	441.9	441.3	0	0
Apr	443.1	442.8	443.5	441.7
Jun	447.4	447.1	448.0	446.0
Aug	451.8	451.8	452.1	450.8
Oct	456.5	456.3	456.7	455.1
Dec	461.3	461.1	461.8	460.0
Feb	466.3	466.1	0	0
Apr	471.6	473.3	471.9	471.9
Jun	476.8	478.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	491.3	492.5	0	0
Apr	492.1	493.4	495.5	487.8
Jul	497.4	498.4	501.0	492.5
Oct	502.7	503.7	505.5	498.3
Jan	508.4	509.4	0	0
Apr	514.1	516.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	624.0	617.8	624.8	620.0
Apr	626.4	620.4	628.0	623.0
May	630.0	624.0	632.0	625.5
Jul	638.0	632.1	640.0	634.0
Sep	645.8	639.7	646.0	643.0
Dec	658.1	652.2	660.0	654.0
Jan	661.9	655.9	0	0
Mar	670.8	664.8	670.0	670.0
May	679.6	673.5	678.0	678.0
Jul	688.0	682.9	690.0	688.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	106.00	106.40	107.20	104.05
Apr	102.50	103.90	0	0
May	97.75	97.90	99.60	96.60
Jul	93.25	92.90	95.40	92.00
Sep	89.45	88.80	91.00	89.50
Dec	85.85	185.40	87.50	86.00
Jan	85.25	184.70	0	0
Mar	83.95	83.50	0	0
May	83.75	783.30	0	0
Jul	83.75	83.30	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	63.65	63.20	64.90	63.40
Jul	62.80	62.50	64.20	62.61
Oct	58.70	58.00	58.80	58.40
Dec	57.20	56.80	57.75	57.00
Mar	58.00	57.55	58.00	57.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Apr	15.83	16.29	15.95	15.57
May	15.56	16.18	15.86	15.48
Jun	15.51	16.15	15.80	15.44
Jul	15.49	16.12	15.75	15.44
Aug	15.43	16.09	15.72	15.40
Sep	15.43	16.08	15.67	15.43
Oct	15.46	16.07	15.66	15.45
Nov	15.59	16.06	15.69	15.59
Dec	15.60	16.05	15.70	15.45
Jan	15.60	16.04	15.75	15.50

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Apr	43.20	44.69	43.80	43.05
May	41.80	43.23	42.30	41.30
Jun	41.10	42.62	41.75	40.95
Jul	41.18	42.60	41.70	41.80
Aug	41.80	43.10	42.20	42.00
Sep	42.50	43.80	42.85	42.50
Nov	44.15	45.15	44.40	44.15
Dec	44.80	45.85	44.80	44.00
Jan	45.50	46.25	45.50	45.50

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1507	1573	1505	1505
May	1553	1612	1592	1550
Jul	1581	1639	1618	1580
Sep	1615	1673	1647	1610
Dec	1653	1707	1686	1653
Mar	1685	1736	1717	1717
May	1710	1760	1740	1740
Jul	1741	1785	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	135.25	135.55	136.00	134.70
May	136.24	136.94	137.50	135.70
Jul	138.40	138.86	139.50	137.50
Sep	140.40	140.78	141.25	140.00
Dec	142.95	143.40	143.80	142.50
Mar	143.88	144.40	144.50	144.60
May	144.25	144.13	0	0
Jul	144.00	144.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.28	8.44	8.44	8.25
Jul	8.23	8.38	8.39	8.20
Oct	8.22	8.38	8.39	8.19
Jan	8.10	8.29	0	0
Mar	8.25	8.43	8.44	8.25
May	8.34	8.50	8.48	8.38
Jul	8.45	8.63	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	168.35	169.25	169.50	167.60
May	160.95	161.45	161.95	159.60
Jul	157.55	158.20	158.45	156.75
Sep	152.40	155.30	154.00	152.40
Nov	147.50	151.50	150.85	147.00
Jan	144.75	148.95	0	0
Mar	145.25	148.95	0	0
May	145.25	148.85	0	0
Jul	145.25	148.85	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 11	Mar 10	mnth ago	yr ago
1719.4	1720.0	1762.5	1537.8

DOW JONES (Base: December 31 1974 = 100)

Spot	128.22	127.97	130.68	113.77
Futures	131.71	131.62	133.87	113.07

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	614/6	607/2	615/0	607/0
May	622/6	615/0	623/0	615/4
Jul	631/2	622/6	631/4	624/2
Aug	633/6	623/2	634/0	626/4
Sep	635/0	624/4	636/0	627/4
Nov	645/0	633/4	645/4	637/0
Jan	652/4	640/6	652/4	645/0
Mar	660/4	648/0	660/4	652/4
May	664/4	651/0	664/4	657/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.12	20.00	20.15	19.88
May	20.44	20.22	20.46	20.14
Jul	20.78	20.56	20.81	20.61
Aug	20.91	20.62	20.92	20.65
Sep	20.97	20.71	21.08	20.79
Oct	21.10	20.70	21.20	20.95
Dec	21.29	21.05	21.38	21.08
Jan	21.28	21.00	21.28	21.29
Mar	21.30	21.10	21.25	21.35

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	185.2	183.5	185.6	183.5
May	183.9	181.6	184.0	181.8
Jul	184.1	181.2	184.5	181.6
Aug	184.9	182.0	185.2	182.5
Sep	185.5	182.0	188.0	183.0
Oct	186.2	182.2	187.0	184.6
Dec	189.2	164.7	189.5	185.5
Jan	190.6	185.5	190.5	188.2
Mar	193.5	188.5	193.5	190.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	198/2	197/0	198/2	196/4
May	205/6	203/6	206/0	203/6
Jul	209/6	207/4	209/6	207/4
Sep	212/2	209/6	212/4	210/6
Dec	216/4	214/0	216/4	214/2
Mar	223/4	221/2	223/4	221/4
May	227/2	224/6	227/2	227/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	295/2	292/4	295/2	291/0
May	302/6	298/2	302/6	299/0
Jul	307/4	303/4	307/4	304/2
Sep	313/4	309/4	313/4	310/4
Dec	325/0	321/4	325/4	322/0
Mar	328/4	324/6	328/4	328/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	74.00	72.82	74.05	73.40
Jun	70.82	69.72	70.85	70.35
Aug	67.62	66.82	67.70	67.30
Oct	66.32	65.52	66.60	65.95
Dec	67.32	66.45	67.50	66.90
Feb	67.25	66.55	67.35	67.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	45.22	43.72	45.22	44.65
Jun	49.20	48.12	49.45	48.55
Jul	48.67	47.80	48.85	47.90
Aug	46.35	45.45	46.50	46.62
Oct	42.92	42.22	42.95	42.50
Dec	43.22	42.47	43.22	42.75
Feb	42.95	42.67	43.00	42.70
Apr	41.50	0	41.75	41.50

FOREIGN EXCHANGES

Quiet day for pound & dollar

STERLING showed virtually no reaction to yesterday's economic news, as the foreign exchanges awaited the two main events of the week - today'e UK Budget and Thursday's publication of the January US trade figures. Trading was very quiet.

The pound hovered around DM3.0800 throughout the day, and moved up to close at DM3.0825, compared with DM3.0775 on Friday. After gaining ground to break through $1.8600 during the morning, sterling eased back slowly to finish unchanged against the dollar at $1.8525-1.8535.

Against other major currencies the pound showed small mixed changes, rising to FFr10.4700 from FFr10.4650; falling to Y235.25 from Y236.00; and holding steady at SFr2.5425. According to Bank of England figures, sterling's exchange rate index fell 0.2 to 77.2.

February UK retail sales rose a seasonally adjusted 0.1 p.c., compared with City forecasts of around 0.4 p.c. The figure was generally regarded as disappointing, when compared with a revised rise of of 1.1 p.c. in January.

A rise of 0.5 p.c. in unadjusted February UK output producer prices was above most forecasts of around 0.3 p.c., but the fall of 0.9 p.c. in unadjusted input prices was encouraging, although the range of forecasts was wide, ranging from a fall of 1.9 p.c. to a rise of 0.4 p.c.

The dollar also traded very quietly, recovering from a weak start in Europe, to finish little changed on the day. Covering of short dollar positions, ahead of the trade figures, and some squaring of sterling positions ahead of the Budget, provided support for a dollar generally lacking direction.

The US currency rose to DM1.6630 from DM1.6610; to SFr1.3725 from SFr1.3715; and to FFr5.65 from FFr5.6475, but fell to Y126.90 from Y127.35. The dollar's exchange rate index, on Bank of England figures, rose to 93.4 from 93.3.

D-MARK - Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. February average 1.6966. Exchange rate index 149.7 against 146.7 six months ago.

The D-Mark maintained a firm undertone in Frankfurt. Trading was calm, with the French franc improving slightly, after suffering recent downward pressure against the West German currency. Dealers said they do not expect e realignment of the EMS before the French Presidential elections. The D-Mark was fixed at FFr3.3998 in Paris, against FFr3.4090 on Friday.

In Frankfurt the dollar was fixed at DM1.6588, compared with DM1.6586 on Friday. The Bundesbank did not intervene.

Sterling traded nervously, amid suggestions that tha UK Chancellor is about to announce substantial tax cuts in today'e Budget, increasing worries about inflation. In the short term the pound was expected to remain strong.

JAPANESE YEN - Trading range against the dollar in 1987/88 is 159.45 to 121.35. February average 129.17. Exchange rate index 241.1 against 220.8 six months ago.

Tha yen drifted quietly in Tokyo, with attention focusing on sterling. The pound eased a little on profit taking. Dealers noted a weekend report in the UK press that the British Treasury intends to set a range for sterling from DM2.98 to DM3.07 to dampen speculation.

The dollar was confined to a narrow range of Y127.20 to Y127.40, and closed at Y127.25, compared with Y127.80 on Friday. There were no new factors, with the market waiting for publication of the US trade figures later this week.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar.14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3272	+2.05	+0.86	±1.5344
Danish Krone	7.85212	7.91453	+0.79	-0.40	±1.5404
German D-Mark	2.05853	2.07056	+0.58	-0.61	±1.0981
French Franc	6.90403	7.03868	+1.95	+0.76	±1.3674
Dutch Guilder	2.31943	2.32732	+0.34	-0.85	±1.5012
Irish Punt	0.768411	0.773978	+0.72	-0.47	±1.6684
Italian Lira	1483.58	1533.37	+3.36	+2.77	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Mar.14	Latest	Previous Close
£ Spot	1.8435-1.8445	1.8570-1.8580
1 month	0.32-0.30pm	0.31-0.29pm
3 months	0.97-0.93pm	0.94-0.91pm
12 months	3.53-3.42pm	3.45-3.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Selling rate (1)Argentina Official rate now quoted

POUND SPOT- FORWARD AGAINST THE POUND

Mar.14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8470-1.8610	1.8525-1.8535	0.32-0.29cpm	1.98	0.93-0.88pm	1.95
Canada	2.3267-2.3349	2.3280-2.3290	0.07-0.03cpm	-0.10	0.23-0.11pm	0.21

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Trading slows ahead of Budget

STERLING BASED prices opened on an optimistic note in the Liffe market yesterday. Most short term investors were in a mildly bullish frame of mind ahead of today's UK Budget. A favourable reaction was considered likely to push sterling even firmer, and some dealers saw this as increasing pressure on the authorities to cut interest rates.

Cash rates yesterday were certainly lower, but the market lacked commitment. Most traders wore either square or only slightly long, and despite the underlying enthusiasm, seemed likely to remain so, until after the Budget.

While three-month sterling deposits finished towards the top of the day's range, long gilt prices failed to hold their best levels. UK output producer prices for February were up by 0.5 p.c., giving a year on year rise of 4 p.c. This was the highest annualised rate for 12 months, which proved to be mildly disappointing. UK retail sales rose by 0.1 p.c. in February, compared with a 1.1 p.c. rise in January.

In relatively low volume, the June long gilt price opened at 123-03, up from 122-18 on Friday, and touched a high of 123-11, its best level for three-months and close to chart resistance around 123-16, before finishing at 123-00.

Three-month sterling deposits reached a best level of 91.05 for June delivery and closed at 91.02, up from 90.92 at the opening and 90.86 on Friday.

US Treasury bonds staged a modest recovery from a weaker start, helped to some extent by a small improvement in the dollar. However trading volume remained on the low side, as short term investors prefered to stay on the sidelines until after Thursday's release of US trade figures for January. The June price finished at 92-12, up from 92-08 at the opening but down from 92-14 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
104	—	55	—	605
106	—	—	—	—
108	—	—	—	—
110	13.01	—	1	—
112	11.03	—	3	—
114	9.07	—	7	—
116	7.16	—	16	—

Estimated volume total, Calls 4176 Puts 2209
Previous day's open int. Calls 20177 Puts 17568

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
86	654	653	30	109
88	509	508	49	148
90	337	354	113	235
92	215	251	155	327
94	117	200	257	440
96	45	124	421	600
98	25	59	602	735

Estimated volume total, Calls 0 Puts 128
Previous day's open int. Calls 1049 Puts 1056

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
16500	1673	1901	3	56
17000	1189	1467	19	122
17500	749	1081	79	236
18000	400	757	230	412
18500	174	502	504	657
19000	60	314	890	969
19500	16	185	1346	1340

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 43 Puts 98

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING

PHILADELPHIA SE £/$ OPTIONS

LONDON SE £/$ OPTIONS

LONDON (LIFFE)

CHICAGO

MONEY MARKETS

Lower rates reflect cautious optimism

INTEREST RATES were lower in London yesterday, as the market reacted to suggestions that lower base rates might be used to counter sterling'e renewed strength.

Much depends upon the contents of today'e UK Budget and how much emphasis is given on keeping the pound steady. While sentiment steered towards the bullish side of neutral, traders were not immediately prepared to commit themselves ahead of today's events.

Nevertheless, three-month interbank money eased to 8¾-8½ p.c. from 9-8⅞ p.c. and the 12-month rate was lower at 9⅛-9¼ p.c. compared with 9¼-9⅜ p.c. Overnight money opened at 8½-8¼ p.c. and eased during the day to finish et 3 p.c.

UK clearing bank base lending rate 9 per cent from February 2

The Bank of England forecast a money market surplus of around £400m, with factors affecting the market including Exchequer transactions which added £485m and a fall in the note circulation of £405m. These were partly offset by the repayment of any late assistance and bills maturing in official hands, together with a take up of Treasury bills draining £328m, and banks' balances brought forward £162m below target. There was no attempt by the authorities to mop up the surplus during the morning.

The forecast was revised in the afternoon to a surplus of around £300m, and the Bank sold £275m of Treasury bills at 8⅞-8¼ p.c., maturing on March 18.

In Frankfurt call money was quoted at 3.30 p.c., little changed from Friday. However demand for liquidity is likely to increase significantly this week as banks make tax payments on behalf on corporate customers. Banks currently hold well in excess of their projected monthly minimum reserve requirements which will go some way towards meeting tax payments, estimated at up to DM30bn.

There is no maturing sale and repurchase agreement this week and if the Bundesbank decides to inject liquidity, this will probably be through additional funds channelled through state owned banks.

In Amsterdam the Dutch central bank introduced e fresh seven-day special advances facility, at an unchanged rate of 4 p.c.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK (Lunchtime)

LONDON MONEY RATES

£ WORLD VALUE OF THE POUND

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$460	10	8.30	38	17.50	-	-	$441.80
GOLD C	$480	175	3.50	-	-	5	19	$441.80
GOLD C	$520	30	1.50	30	4.50	-	-	$441.80
GOLD P	$400	-	-	40	4.40	-	-	$441.80
GOLD P	$420	20	4.60 A	-	-	-	-	$441.80
GOLD P	$440	9	10	11	14.50	20	16	$441.80
GOLD P	$460	-	-	20	23	3	25	$441.80
		Mch. 88		**Apr. 88**		**May 88**		
EOE Index C	Fl. 170	20	32.30	-	-	-	-	Fl. 202.02
EOE Index C	Fl. 175	30	27.30	-	-	-	-	Fl. 202.02
EOE Index C	Fl. 190	25	12	100	14.50	-	-	Fl. 202.02
EOE Index C	Fl. 200	72	3.80	30	7.80	248	9.20	Fl. 202.02
EOE Index C	Fl. 205	208	1.50	114	5.70	-	-	Fl. 202.02
EOE Index C	Fl. 210	-	-	41	3.20	11	5.70	Fl. 202.02
EOE Index P	Fl. 185	3	0.50 A	1	2 B	18	5	Fl. 202.02
EOE Index P	Fl. 190	107	0.50	25	3.30	4	6.20	Fl. 202.02
EOE Index P	Fl. 195	27	1	51	5.40	5	8.80	Fl. 202.02
EOE Index P	Fl. 200	165	2.20	42	7.80	18	12	Fl. 202.02
EOE Index P	Fl. 205	29	5	10	9.90	2	14.10	Fl. 202.02
EOE Index P	Fl. 210	-	-	302	13.50	310	17.40	Fl. 202.02
£/Fl C	Fl. 345	13	2 A	32	3.20	66	3.50	Fl. 345.96
S/Fl C	Fl. 180	45	6.60	-	-	-	-	Fl. 186.70
S/Fl C	Fl. 185	113	2	115	3.10	14	4	Fl. 186.70
S/Fl C	Fl. 190	212	0.30	377	1.20	-	-	Fl. 186.70
S/Fl P	Fl. 180	25	0.10	-	-	-	-	Fl. 186.70
S/Fl P	Fl. 185	6	0.60	150	1.90 B	29	3.70	Fl. 186.70
S/Fl P	Fl. 190	76	3.80 A	-	-	-	-	Fl. 186.70
S/Fl P	Fl. 225	20	39	-	-	-	-	Fl. 186.70
		Apr. 88		**Jul. 88**		**Oct. 88**		
ABN C	Fl. 40	82	1.30	45	2.20	35	2.70	Fl. 40.10
ABN P	Fl. 40	209	1.20	16	2.80	-	-	Fl. 40.10
AEGON C	Fl. 75	-	-	59	2.50	-	-	Fl. 71.10
AEGON P	Fl. 65	52	1.20	-	-	-	-	Fl. 71.10
AKZO C	Fl. 110	411	2	448	4.20	24	6.80	Fl. 103.70
AKZO P	Fl. 120	-	-	226	21.40	-	-	Fl. 103.70
AMEV C	Fl. 55	126	1.60	204	2.70	12	3.80 B	Fl. 51.90
AMEV P	Fl. 50	52	2	85	4.20	2	4.90	Fl. 51.30
AMRO C	Fl. 65	143	2.20	3	3	5	3.80	Fl. 65.70
AMRO P	Fl. 60	25	0.40	-	-	-	-	Fl. 65.70
ELSEVIER C	Fl. 50	282	1.40	23	3.40	22	4.30	Fl. 48.70
GIST-BROC. C	Fl. 35	250	1.60	441	2.60	35	4.50	Fl. 33.30
GIST-BROC. P	Fl. 30	27	0.90	139	2.20	31	3.10 B	Fl. 33.30
HEINEKEN C	Fl. 130	40	3.60	2	7	-	-	Fl. 126.80
HEINEKEN P	Fl. 120	67	2.80	53	6.90	-	-	Fl. 126.80
HOOGOVENS C	Fl. 35	168	1.50	62	3.10	114	4	Fl. 33.70
HOOGOVENS P	Fl. 27.50	14	0.70	-	-	-	-	Fl. 33.70
KLM C	Fl. 35	378	0.90	180	2.60	165	3.10 A	Fl. 34.10
KLM P	Fl. 30	45	0.50	108	1.10	10	2.30	Fl. 34.10
NEDLLOYD C	Fl. 200	277	6.80	2	15	-	-	Fl. 195.50
NEDLLOYD P	Fl. 180	37	3.30	-	-	-	-	Fl. 195.50
NAT.NED. C	Fl. 60	286	1.20	39	2.50	30	3.50	Fl. 57.10
NAT.NED. P	Fl. 55	54	1	3	3.30	-	-	Fl. 57.10
PHILIPS C	Fl. 30	81	0.80	245	1.40	70	2.20	Fl. 28.80
PHILIPS P	Fl. 30	153	3	31	3.50	15	3.90	Fl. 28.80
ROYAL DUTCH C	Fl. 220	651	5	157	7	54	9	Fl. 220.70
ROYAL DUTCH P	Fl. 200	536	0.80	79	4	-	-	Fl. 220.70
ROBECO C	Fl. 90	13	2	3	3.50	4	6	Fl. 89.80
ROBECO P	Fl. 90	3	2.10 B	12	4.80 A	-	-	Fl. 89.80
UNILEVER C	Fl. 100	247	15.10	-	-	2	17.50	Fl. 114.70
UNILEVER P	Fl. 110	229	2.30	91	6.50	2	8	Fl. 114.70

TOTAL VOLUME IN CONTRACTS : 23,014

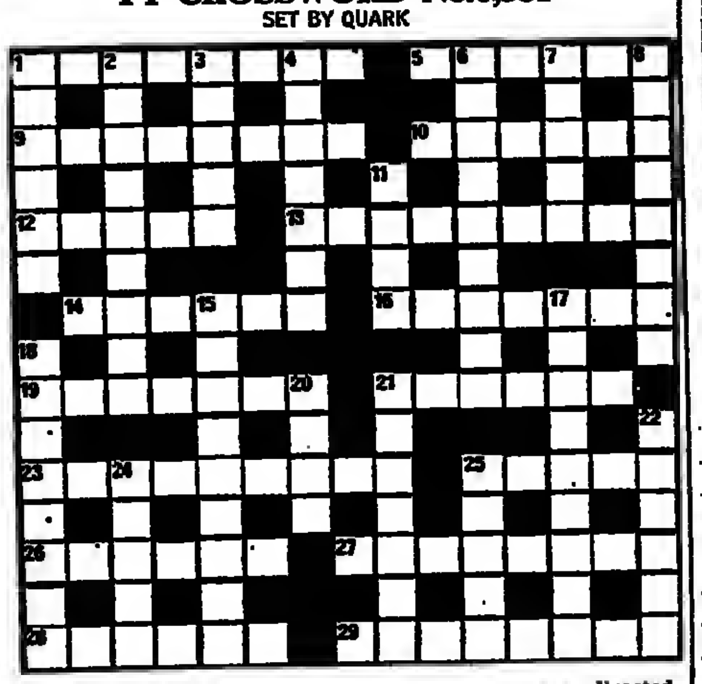
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%
ABN Bank	9
Adam & Company	9
AAB - Allied Arab Bk	9
Allied Irish Bank	9
American Exp. Bk	9
Henry Ansbacher	9
ANZ Banking Group	9
Associates Cap Corp	10
Authority Bank	9
B & C Merchant Bank	9
Banco de Bilbao	9
Bank Hapoalim	9
Bank Leumi (UK)	9
Bank Credit & Comm	9
Bank of Cyprus	9
Bank of Ireland	9
Bank of India	9
Bank of Scotland	9
Banque Belge Ltd	9
Barclays Bank	9
Benchmark Bank PLC	9
Berliner Bank AG	9
Brit Bk of Mid East	9
● Brown Shipley	9
Business Mtge Tst	9
CL Bank Nederland	9
Central Capital	9
● Charterhouse Bank	9
Citibank NA	9
City Merchants Bank	9
Clydesdale Bank	9
Comm. Bk N. East	9
Consolidated Cred	9
Co-operative Bank	*9
Cyprus Popular Bk	9
Dunbar Bank PLC	9
Duncan Lawrie	9
Equatorial Bank plc	9
Exeter Trust Ltd	9½
Financial & Gen. Sec.	9
First Nat. Sec. Ltd.	9½
● Robert Fleming & Co.	9
Robert Fraser & Ptnrs.	10
Girobank	9
Grindlays Bank	9
● Guinness Mahon	9
HFC Trust & Savings	9
● Hambros Bank	9
Heritable & Gen Inv Bk	9
● Hill Samuel	§9
C. Hoare & Co.	9
Hongkong & Shangh	9
Lloyds Bank	9
Meghraj Bank Ltd	9
Midland Bank	9
● Morgan Grenfell	9
Mount Bnkg Corp.	9
Nat. Bk. of Kuwait	9
NatWestminster	9
Northern Bank Ltd	9
Norwich Gen. Trust	9
PK Finans. Int(UK)	9½
Provincial Bank PLC	10
R. Raphael & Sons	9
Roxburghe G'rantee	10
Royal Bk of Scotland	9
Royal Trust Bank	9
Smith & Williams Secs.	9
Standard Chartered	9
TSB	9
UDT Mortgage Exp	‡10.2
United Bk of Kuwait	9
United Mizrahi Bank	9
Unity Trust Bank Plc	9
Western Trust	9
Westpac Bank Corp.	9
Whiteaway Laidlaw	9½
Yorkshire Bank	9

● Members of the Accepting Houses Committee. * 7 day deposits 4.00% Sevenday 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ‡ Mortgage base rate. § Demand deposit 4.00%. Mortgage 9.625% - 10%

FT CROSSWORD No.6,581
SET BY QUARK



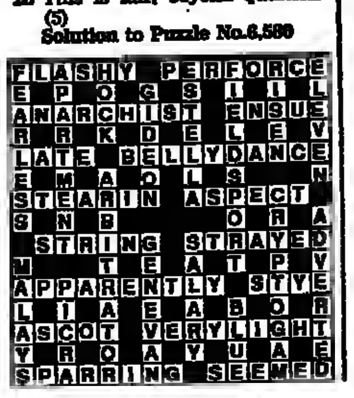
ACROSS

1 One generally providing service (8)
5 Paper for examiner delivered by hand (6)
9 Wave in back yard for jest (8)
10 Tell tale at school? (6)
12 Taken after failure (tries to change)(5)
13 With a Merc in accident one has pale colour. Picture refused? (6-3)
14 House move on board (6)
16 Real log ignited quickly (7)
19 Suspicion of fluid ejected by fish (fish)(7)
21 Insect could move quickly (6)
23 Scientific field that was a tragedy in history (5,4)
25 Support for an academic? (5)
26 Don't become slack with letter and number (6)
27 Writer during reverses is going round north for game (8)
28 Fast, being not so well, having swallowed top of pen (6)
29 Give gear out - providing for distress (8)

DOWN

1 Headgear could be in fashion or fade (6)
2 Telephone interference annoyed gossip (9)
3 Some old crow letting in a young bird (5)
4 You go slowly, we hear, to a small cell (7)
6 Money recovery directed towards the bull (9)
7 Presses that could be fired (5)
8 The nonsense of private rock climbing (5-3)
11 Book used in signalling (4)
15 Fool the Australian bird (9)
17 Give nasal blasts to call into action (9)
18 Disease fades out without a gamble (8)
20 Heads of government are often likely to produce a stir (4)
21 Mark gets up in China assembly (7)
22 Character's novel course (6)
24 Entertain a mythological sister (5)
25 This is fair, beyond question (5)

Solution to Puzzle No.6,580



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
0 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac.	29.1	31.0	+0.2	—
Do. Income	28.9	30.8	+0.2	0.19
Scimitar European Acc.	20.9	22.5	−0.2	—
Do. Income	20.8	22.2	−0.3	0.11
Scimitar UK Eq Inc Acc.	36.1	[illegible]	−0.1	—
Do. Income	33.6	35.6	−0.1	5.34
UK Cap Gth Acc.	24.8	26.2	—	0.75
Scimitar Pac Basin Acc.	29.8	31.8	—	—
Scimitar Magd Exempt	140.6	146.5	−0.8	—

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1051

Initial Income Units	128.8	137.0	—	3.32
Initial Accum Units	197.4	210.0	—	3.32
UK General Acc.	38.4	41.3	−0.3	3.38
UK General Inc.	37.0	39.6	−0.2	3.38
American	27.3	29.2	—	2.13
European	34.4	36.8	−0.3	1.26
Japan	55.8	59.7	−0.5	0.05
Technology	35.2	37.6	—	2.29
Performance Trusts				
Far East Perf Tst.	18.3	19.6	—	2.00
High Inc Perf Tst Inc.	24.3	26.0	−0.1	5.36
High Inc Perf Tst Acc.	24.8	26.5	−0.1	5.36
Worldwide Tact Perf Tst.	28.3	30.3	−0.1	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	211.9	226.7	+0.3	2.7
Columbus (US)	128.8	137.8	−0.2	1.32

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	380.7	400.9	—	—
Eb'r Ph. Eq.	316.0	337.6	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	165.6	174.5	+0.0	—
International Acc.	125.4	131.9	-0.1	—
Property Acc.	125.5	132.1	—	—
Fixed Interest Acc.	156.2	164.4	+1.6	—
Money Acc.	137.1	144.3	+0.1	—
Bldg. Soc. Link Acc.	134.2	141.2	+0.1	—
Special Mngd. Acc. Q.	146.6	154.5	-0.1	—
Phoenix/Framlington				
Intnl. Growth Acc.	88.4	93.0	-0.9	—
Amer. & Gen. Acc.	81.7	86.0	+0.6	—
Capital Tst. Acc.	175.3	184.5	—	—
Japan & Gen Acc.	175.3	184.5	—	—
American Turn. Acc.	89.6	88.0	-0.9	—
Recovery Tst. Acc.	171.7	180.7	+0.8	—
Special Mngd Acc.	143.1	150.6	-0.3	—
Phoenix/GT				
International Acc.	120.6	126.9	-0.9	—
US & General Acc.	89.7	94.4	-1.6	—
Amer Spec Sits Acc.	65.1	68.5	+0.8	—
Japan & General Acc.	172.9	181.9	+0.2	—
Far East & Gen. Acc.	135.3	142.4	-1.2	—
UK Capital Acc.	172.1	181.1	+0.6	—
European Acc.	134.4	141.4	+0.3	—
Special Mngd Acc.	124.9	131.4	-0.1	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	266.0	280.1	—	—
MJA Pens Inc & Cap Fds.	340.1	358.1	—	—
Money Fund	111.5	117.4	—	—
Pens. Mngd Fd (Unit)	85.3	89.8	—	—
Pens Mngd Fd (Acc)	95.0	101.1	—	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

The French Prestige Fund

Frobisher Fund Limited

GT Management Plc

Gartmore Fund Managers Ltd.

Global Asset Management Corp.

Hambros Pacific Fund Mgmt Ltd

Henderson Management SA

Lloyds Intl. Money Market Fund Ltd

Britiss Bahamas Ltd

LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	Low	Stock	Price £	+ or −	Yield Int.	Red.

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1987/88 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
42¼	22⅛	TRW Inc. 62½c	26⅞	−⅛	$1.60	—	3.3
37⅛	21	Tenneco $5	23⅜	+⅛	$3.04	—	7.2
220	149½	Do. 10¾% Ln.Stk. 91-5	155	.....	10%	—	4.7
29⅝	12⅜	Texaco $6.25	24	[illegible]	$3.00	—	6.7
74	36	Time Inc. $1	48	[illegible]	$1.00	—	1.1
30¼	12	Transamerica $1	18	.....	$1.84	—	5.3
14⅛	1¼	Transworld Corp $5	961p	.....	20c	—	1.1
27⅛	12¼	TRINOVA Corp	18⅛	.....	56c	—	1.7
24	12⅜	USX $1	17⅛	−⅛	$1.20	—	3.8
37⅞	16¼	Utd. Technologies	21	+½	$1.40	—	3.6
38⅝	25	US West	28½	−⅛	$3.28	—	6.3
30½	17¼	Waste Management $1	19	+¼	36c	—	1.0
31⅛	11⅛	Whirlpool $1	14⅝	+⅛	—	—	—
37⅛	16½	Woolworth $3½	23⅛	−⅛	$1.32	—	3.0

CANADIANS

1987/88 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
691p	220p	ABM Gold Corp	225p	+5	—	—	—
26⅛	10p	Abbot Energy Corp.	17⅛	.....	—	—	—
10⅛	506p	Amer. Barrick Res.	11¼	−⅛	—	—	—
141p	3½	American Lightwave	4¼	.....	—	—	—
122p	25p	Armeno	25½	−2½	—	—	—
117p	39½	Agnico Eagle Expln.	52½	+1	—	—	—
19⅝	10⅝	Bk. Montreal	11⅞	+⅛	$2.00	—	7.4
10½	486p	Bk. Nova Scot.	544p	.....	72c	—	3.6
20⅝	15	BCE	16⅞	.....	$2.44	—	6.4

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Feb 22	Mar 3	Mar 4	Mar 14
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apl 7	Apl 8	Apl 18

*New time dealings may take place from 9.00 am two business days earlier.

Gilt-edged and equities close with small gains after sluggish trading session

THE UK SECURITIES markets traded quietly but confidently yesterday as the City settled down to wait for this afternoon's Budget Speech from Mr Nigel Lawson, the Chancellor of the Exchequer. Equities, firm throughout the session, were helped at the close when the pound topped off after an early gain. The announcement of UK retail sales for February slightly below expectations kept Government bonds firm.

The Budget is expected to bring good news for both market sectors - tax cuts, which will help equities, and a Public Sector Borrowing Requirement perhaps in surplus which should strengthen Gilt-edged securities.

Despite the confusion over last week's statements on the pound from the Prime Minister and the Chancellor, the markets still believe that domestic rates will be cut in the near term, if it is deemed neccessary to cap sterling.

With the oil sector calmer after the culmination on Friday of the Kuwait Investment Office purchases of British Petroleum shares, the market lacked a strong lead. Prices were in plus territory throughout, although the day's Seaq turnover of 294.3m represented a return to the slow days of mid-February.

The FT-SE 100 Index closed at 1819.5, a net gain of 7.9. Only Glaxo, a firm feature following good interim profit figures, stood out among the leading index stocks.

The steadiness in the pound, which ended with little change from Friday night's levels, took the pressure off the international stocks. ICI, vulnerable to the Sterling/DM rate, showed a small gain on the session, and pharmaceutical shares, also vulnerable to a strong pound, were helped both by Glaxo's results and by the special factors which last week lifted both Fisons and Beecham.

It was also a quiet session for foreign stocks traded in London. With the US January trade figures due on Thursday, volume in European issues was light, with prices still restrained by last week's sudden setback on Wall Street.

Gilt-edged showed only minor gains, ranging to about a ½ point at the long end, but the mood of the market was very firm. The UK weekend press buttressed market confidence that the Chancellor will continue to aim for a stable pound, if need be by trimming UK bank base rates.

Traders in Gilts were holding positions in balance ahead of the Budget Speech, to be followed on Wednesday by the tender for the £800m tap stock disclosed ahead of the weekend. Index-linked issues made no response to the UK retail sales figures, closing just a touch firmer.

Glaxo traded briskly after pleasing the market with its interim results. Dr Arnab Banerji, pharmaceuticals analyst at Nomura Securities, describing the figures as better than expected, pointed out that Glaxo - via its Zantac and Modacin products - has become the first foreign company to establish a strong position in the Japanese market, which is 30 per cent larger than the US market for medical drugs.

US and local investors bought Glaxo yesterday, pushing the stock up 26 to 1082p, on turnover of 2.4m. Dealers said Glaxo's interim figures compared favourable with analysts' estimates, downgraded following the chairman's warning in his annual report.

British Petroleum were less active than on Friday and there was little sign of selling by the UK and foreign securities houses which have built up substantial stakes in the oil group. The Kuwait Investment Office (KIO), which has already taken its stake up to 22.06 per cent, admitted on a London television programme last weekend, that its declared ceiling could change if events warranted it.

But the sector turned off as both Brent and US crude oil futures weakened after the Saudis rejected cuts in production quotas.

At 75½p, BP partly-paid fell 6 on turnover of 16m shares, while the fully-paid, at 270p, ended 4 down after 9.1m shares were traded. The shares are supported by a handsome yield of 6.2 per cent as well as by hopes that the KIO may, after all, take its holding closer to the 29.9 per cent allowed under UK takeover rules.

Shell, somewhat overlooked while BP occupied the centre of the stage, provided an exception in a dull sector, adding 1 to 1049 as Kleinwort Grieveson continued to recommend the stock. However, news of a further discovery in the Paris Basin put 2 on Triton Europe at 161p.

Life Insurances regained a little ground helped by a positive review of the sector from Warburg Securities and pending the publication of a Green Paper on tax reforms. Abbey Life, and Legal and General, both favoured by Warburg, made steady progress, the former rising 10 to 263p and the latter 11 to 273p.

FINANCIAL TIMES STOCK INDICES

	Mar. 14	Mar. 11	Mar. 10	Mar. 9	Mar. 8	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	90.76	90.47	90.53	90.68	90.53	90.07	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.21	97.28	97.12	97.11	97.15	96.11	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1460.0	1449.9	1472.3	1460.1	1457.7	1576.6	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	245.3	248.6	249.7	248.0	242.2	338.3	497.5 (4/8/87)	234.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.44	4.45	4.38	4.41	4.46	3.90				
Earnings Yld. % (full)	11.30	11.35	11.17	11.27	11.21	8.59				
P/E Ratio (net)(*)	10.79	10.75	10.92	10.83	10.90	14.28				
SEAQ Bargains (5pm)	27,592	29,874	28,632	27,697	29,438	49,571				
Equity Turnover (£m)	-	1702.47	1641.29	1361.37	979.46	977.60				
Equity Bargains	-	34,309	31,899	32,280	32,429	56,290				
Shares Traded (ml)	-	654.0	536.0	448.1	436.5	424.9				

S.E. ACTIVITY

Indices	Mar.11	Mar.10
Gilt Edged Bargains	118.7	120.6
Equity Bargains	222.3	206.7
Equity Value	3441.1	3317.5
5-Day average		
Gilt Edged Bargains	135.7	136.4
Equity Bargains	217.3	224.1
Equity Value	2747.2	2630.2

♥ Opening 1453.9 | 10 a.m. 1451.5 | 11 a.m. 1452.0 | 12 p.m. 1456.3 | 1 p.m. 1458.5 | 2 p.m. 1458.4 | 3 p.m. 1457.4 | 4 p.m. 1459.3

Day's High 1460.0 Day's low 1451.5

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.68.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

Willis Faber remained on offer among Lloyds brokers and settled 6 cheaper at 212p.

Independent radio contractor GWR Group made an impressive debut in the Unlisted Securities Market; the shares, introduced at 225p, opened at 315p and spurted to 425p in thin and sentitive trading prior to closing at 400p. Psion, a maker of hand held computers, also showed up well in first-time dealings, opening at 105p and climbing to 110p compared with a placing price of 97p.

Publicity given to a Pru-Bache circular, which recommended Bass as the principal "buy" in the sector, touched off small buying and the price closed slightly firmer at 838p. Other leading Brewery issues moved narrowly either way with Guinness ending 4 down at 310p; the company made no reply to a weekend press report of two members of the family being involved in share-buying transactions at the time of the offer for Distillers. Greenall Whitley, the regional brewer, which surged higher late on Friday, gave back 11 of the rise at 210p while Invergordon Distillers remained at 205p after the increased annual profits.

Leading Building shares fluctuated narrowly as marketmakers embarked on a "book tidying" operation prior to today's Budget.

Support for secondary issues was highly selective, but one or two housebuilding stocks showed smart gains with Countryside a feature at 278p, up 14, following demand in the wake of favourable television comment. Bellway put on 8 to 230p in a restricted market and Berkeley Group rose 8 to 321p in similar circumstances. Bryant were 4 up at 147p and Federated Housing 7 higher at 273p.

ICI gave modest ground initially, but perked up late in the session to close virtually unchanged at £10¾. Elsewhere in the Chemical sector, Wardle Storeys advanced 13 to 578p, while Alida Holdings responded to the increased annual profits with a gain of 10 at 310p.

Trading in the Store sector was described as "extremely thin", but a cautiously optimistic 6 monthly review of the sector by Warburg Securities, the investment house, prompted gains of a few pence in Dixons, 188p, Burton, 253p, and Marks and Spencer, 181p. Week-end Press comment directed buying attention to Woolworth which put on 8 to 289p; the preliminary figures are due to be announced on March 23. Body Shop, also the subject of newspaper mention, improved 15 to 585p. Elsewhere, revived speculative demand left A Preedy with a rise of 9 at 158p.

British Telecom were one of the few well traded Alpha stocks. A combination of institutional support and buying interest from private investors culminated with the shares 3½ up at 253½p after turnover of 5.4m shares; the group yesterday acquired a 25 per cent interest in Belize Telecommunications. Racal Electronics benefited as fresh inquiries were aroused by last week's Nomura Research Institute circular, gaining 5 to 228p, while renewed demand lifted STC 6 to 253p and Ferranti 2¼ to 85p. BICC advanced 6 to 342p.

Cambridge Electronics were supported following recommendations from both Citicorp Scrimgeour Vickers and Morgan Grenfell. The shares closed 6 higher at 228p. Dubilier continued firmly at 154p, up 3, but acquisition news together with a £2.4m rights issue succeeded in lowering Compsoft 2 to 58p.

Among the Engineers, GKN, which pleased the market with its annual results last week, edged up 7 to 336p. Thomas Robinson, also reflecting recent figures, improved afresh to close 7 dearer at 458p, while trading news and a proposed one-for-one scrip issue left Glynwed International a few pence to the good at 473p. Neepsend featured a rise of 6 at 62p on the announcement that Activegrade has purchased a 11.59 per cent stake in the company.

The Food sector produced the odd flurry of activity. United Biscuits, a volatile market last week, slipped 5 to 261p amid mounting speculation that the group will announce the acquisition of Ross Foods, a division of Hanson, when it reveals annual results tomorrow. J.E. England enjoyed speculative support and rose 17 to 70p.

Restaurant group Kennedy Brookes continued to feature the Catering and Hotels sector; the shares, some 90 pence higher last Thursday following a bid approach, gained a further 14 to 405p following the recommended offer by widely-rumoured suitor Trusthouse Forte; THF is bidding 410p per share cash which values Kennedy Brookes at £173.6m. The UK hotel major has already agreed to aquire 46.2 per cent of the Kennedy equity.

Ladbroke firmed 6 to 392p stimulated by the award of the sole licence to conduct off-track betting operations in the US state of Wyoming.

Norfolk Capital closed a penny cheaper at 28p, the highly satisfactory preliminary profits overshadowed by a £34.5m US hotel acquisition.

BTR were actively traded (around 4.2m shares changed hands yesterday) as interest developed ahead of the preliminary figures due to be announced on Thursday and the shares closed with a rise of 9 at 262p. Analysts are looking for pre-tax profits of around £600m for the full year.

Fisons continued firmly in the wake of a recent buy recommendation from the Nomura Research Institute, closing 5 dearer at 271p. Beecham edged up a few pence to 479p following the company's proposal to build a new production plant in France to meet the growing demand for its Amoxycillin-based prescription drugs, Augmentin and Camoxyl. The preliminary figures from Pentland Industries, down 3 at 133p, failed to excite the market, but Keep Trust, reflecting the good annual results, jumped 15 to 428p. Further expansion hopes prompted a rise of 10 to 241p in Hodgsons Holdings, but Norcros drifted back 9 to 417p despite a newspaper suggestion of a possible bid from Coloroll. Acquisition news left Williams Holdings 7 firmer at 300p. Comment ahead of the preliminary figures expected next week left Spring Ram 15 to the good at 188p. Newman Industries rose 5¼ to 63p in the wake of the announcement that Winterbottom Holdings has reduced its stake in the company from 20.47 per cent to 5.74 per cent.

Appleyard, the motor distributor, beat market forecasts when revealing annual profits of £5.4m, compared with £2.6m last time, and the shares responded by rising 14 to 405p. Lancaster, due to report preliminary figures today week, also ran into buyers and with stock in short supply the price rose 13 to 137p. Lookers put on 5 to 165p but profit-taking halted the recent advance in Lex Service and the close was 4 down at 355p. Among Components, higher interim earnings and the forecast of continued growth made no impression on Armstrong Equipment, slightly easier at 148p.

Agency shares produced some minor features with Davidson Pearce gaining 5 to 121p after full-year results and Lowe Howard-Spink rising 6 to 386p awaiting preliminary figures, due to be announced tomorrow. Weekend press comment lifted Aspen Communications 15 to 420p. Elsewhere, USM-quoted Whinney Mackay-Lewis advanced 10 to 220p. Properties marked time, the leaders fluctuating narrowly in thin trading. Elsewhere, Great Portland Estates were a penny dearer at 294p as the company revealed the acquisition of John Lewis' central London offices portfolio in a deal estimated at around £11m. Capital and Counties found support at 358p, up 5 and Brixton Estate hardened a couple of pence to 266p. Citygrove firmed 5 to 225p in reply to good preliminary profits, while Dares Estates added 1¼ to 34p following Press comment. Egerton Trust rose 8 to 238p, a gain of 25 in two trading sessions and Hardanger moved up 25 to 625p in a restricted market.

Ocean Transport revived suddenly on a report that Shell Transport had negotiated an option to buy Nestor, the company's LNG carrier, for an undisclosed sum. Business was relatively thin and the shares, which have traded inauspiciously since Sir Ron Brierley's IEP Securities unsuccessful bid, jumped 12 to 290p. The IEP group still holds a 29.9 per cent stake in Ocean Transport.

International City Holdings featured miscellaneous Financial issues, rising 6 to 188p on news of a £30m share issue to finance development. The shares have been placed with Throgmorton Trust but there is a clawback right for existing shareholders. MAI ended a shade lower at 109p after the interim statement but Industrial Finance & Investment improved marginally following sharply higher mid-term profits. Antofagasta continued to respond to good annual figures, advancing 10 further to 247p, but Centreway Trust lost firmness at 175p, down 7.

A flurry of late support boosted Courtaulds 3 to 325p while occasional demand earlier in the session raised SEET 6 to 160p and John Crowther 4 to 133p.

Volume in Traded Options contracted quite sharply in line with the market in general with no one sector showing significant business. Total contracts came out at 22,918 made up of 14,844 calls and 8,074 puts. BT were relatively lively, registering 1,856 calls and 2,355 puts. The FTSE contract attracted 304 calls and 729 puts.

Traditional Options

- First dealings Mar 14
- Last dealings Mar 25
- Last declarations June 16
- For Settlement June 27

For rate indications see end of London Share Service

Dealers reported a relatively quiet day in the Traditional option market. Stocks to attract money for the call included Owners Abroad, Amber Day, Kentish Property, Rover Group, Blacks Leisure, Folkes Group n/v, Astra Industrial, Spong, Benlox, Cowie, Psion and A.G. Stanley. No put or double options were reported.

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (13).

BRITISH FUNDS (2) Treas 8pc Cv 1990, Treas 2pc I.L. '98, BREWERS (2) Macallan-Glenlivet, Macdonald Martin "A", BUILDINGS (2) Newarthill, Persimmon, HOTELS (1) Savoy "A", INDUSTRIALS (2) Swedish Match "B", Thomson T-Line, SHIPPING (1) Fisher (J), TEXTILES (1) Richards, OILS (1) Enterprise Oil, THIRD MARKET (1) M.L. Laboratories.

NEW LOWS (14).

STORES (1) Babygro Hldgs., ELECTRICALS (2) Highland El., Rose, ENGINEERING (1) TACE, INDUSTRIALS (3) Intereurope Tech., Magnacard, Unigroup, INSURANCE (1) Bryant (Derek), SHIPPING (1) P&O 5½pc., TRUSTS (2) Scot' Nat Wrnts., Tyndall Hldgs., OILS (1) AmBrit Int'L, MINES (2) West Rand, Kinross.

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Mar 14 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Mar 11 Index No.	Thu Mar 10 Index No.	Wed Mar 9 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (209)	772.31	+0.8	9.67	3.83	12.97	2.09	766.29	774.10	771.89	855.09
2	Building Materials (30)	1025.54	+0.1	9.70	3.67	12.84	0.85	1024.23	1030.28	1032.14	1036.35
3	Contracting, Construction (34)	1573.17	+0.4	8.96	3.23	14.81	3.62	1566.31	1567.34	1567.85	1483.65
4	Electricals (11)	2104.68	+1.3	9.80	4.82	12.92	1.20	2077.26	2073.83	2066.45	2102.29
5	Electronics (32)	1567.83	+0.9	10.53	3.48	12.38	8.21	1553.73	1566.86	1551.39	1912.42
6	Mechanical Engineering (58)	402.70	+0.9	9.59	4.19	13.13	0.96	399.05	403.88	402.15	479.52
8	Metals and Metal Forming (7)	459.58	+0.6	9.37	3.75	12.88	0.00	456.79	462.28	461.91	448.41
9	Motors (13)	289.99	+0.5	11.10	4.08	10.58	0.71	288.56	295.13	293.64	324.84
10	Other Industrial Materials (24)	1278.30	+1.5	8.63	4.10	13.79	4.58	1259.03	1283.05	1284.21	1481.67
21	CONSUMER GROUP (185)	1073.26	+0.6	8.43	3.40	15.11	2.68	1066.92	1083.97	1077.40	1179.66
22	Brewers and Distillers (21)	963.47	-0.3	10.41	3.70	12.13	4.24	1066.39	1077.51	1058.00	1088.05
25	Food Manufacturing (23)	845.29	+0.6	9.38	3.97	13.61	2.30	840.56	853.90	855.15	876.04
26	Food Retailing (16)	2130.40	——	7.56	3.08	17.80	7.15	2130.94	2179.42	2158.48	2142.22
27	Health and Household Products (10)	1903.39	+1.2	6.38	2.42	18.55	0.45	1881.72	1927.94	1912.14	2378.44
29	Leisure (31)	1268.51	+0.8	7.75	3.78	16.60	9.10	1258.03	1273.72	1259.45	1195.58
31	Packaging & Paper (16)	517.51	+0.4	8.16	3.58	16.13	0.46	515.32	517.39	514.89	599.42
32	Publishing & Printing (16)	3544.39	-0.3	6.44	4.21	19.50	4.21	3555.95	3587.20	3590.72	3662.87
34	Stores (34)	842.55	+1.2	9.05	3.65	14.81	1.41	832.62	840.59	839.80	1006.32
35	Textiles (18)	578.02	+1.7	11.97	4.34	9.60	0.19	568.29	590.01	594.23	677.54
40	OTHER GROUPS (93)	896.26	+0.4	10.63	4.19	11.72	3.64	892.47	902.66	894.94	938.34
41	Agencies (19)	1171.45	+0.5	6.91	2.23	18.65	4.36	1165.15	1179.02	1168.29	1410.65
42	Chemicals (20)	1035.49	+0.3	11.57	4.77	10.59	18.08	1032.57	1052.62	1043.05	1223.86
43	Conglomerates (14)	1182.29	-0.3	9.89	4.46	11.77	3.14	1185.65	1205.13	1196.74	1289.85
45	Shipping and Transport (12)	1920.77	+0.3	8.84	4.30	14.77	0.00	1914.07	1932.70	1918.38	1971.05
47	Telephone Networks (2)	980.73	+1.2	10.98	4.31	12.13	0.00	968.67	971.87	961.41	961.53
48	Miscellaneous (26)	1194.13	——	12.70	4.80	9.31	0.54	1194.42	1208.65	1201.05	1318.56
49	INDUSTRIAL GROUP (487)	958.14	+0.6	9.35	3.76	13.47	2.85	952.45	965.06	959.35	1050.10
51	Oil & Gas (13)	1828.25	-0.1	9.47	5.70	13.15	36.27	1830.28	1826.96	1751.22	1757.10
59	500 SHARE INDEX (500)	1031.72	+0.5	9.37	4.04	13.42	5.63	1026.64	1038.00	1026.62	1109.60
61	FINANCIAL GROUP (122)	667.28	+0.4	–	4.88	–	6.74	664.31	670.39	672.04	683.79
62	Banks (8)	655.76	+0.1	23.14	6.21	5.81	15.42	654.78	664.93	667.24	726.45
65	Insurance (Life) (8)	976.61	+1.7	–	4.71	–	0.00	959.93	982.42	993.63	969.54
66	Insurance (Composite) (7)	531.10	+0.7	–	5.51	–	3.78	527.19	528.07	530.34	542.79
67	Insurance (Brokers) (7)	863.51	-1.0	13.96	7.47	9.13	16.28	872.30	857.60	855.91	1177.94
68	Merchant Banks (11)	360.99	+0.1	–	3.95	–	0.02	360.67	359.20	361.27	366.90
69	Property (51)	1074.91	+0.2	5.09	2.89	25.07	1.23	1072.80	1078.51	1072.43	910.97
70	Other Financial (30)	395.89	+0.4	9.69	4.31	12.97	1.90	394.40	396.93	397.99	451.03
71	Investment Trusts (82)	871.71	——	–	3.08	–	3.71	871.44	880.05	882.13	972.24
81	Mining Finance (2)	438.99	-2.3	10.36	3.92	10.88	2.01	449.38	455.08	449.38	384.50
91	Overseas Traders (8)	1024.49	-0.3	10.01	5.27	11.85	14.64	1027.82	1047.15	1038.46	902.45
99	ALL-SHARE INDEX (714)	934.08	+0.4	–	4.14	–	5.78	930.11	940.18	932.21	994.35

	Index No.	Day's Change	Day's High	Day's Low	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Year ago
FT-SE 100 SHARE INDEX ♦	1819.5	+7.9	1820.6	1810.7	1811.6	1834.6	1815.3	1815.8	1818.2	1991.8

FIXED INTEREST

	PRICE INDICES	Mon Mar 14	Day's change %	Fri Mar 11	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	123.39	+0.28	123.27	0.12	2.37
2	5-15 years	142.57	+0.45	141.92	–	2.39
3	Over 15 years	151.79	+0.57	151.60	0.67	3.73
4	Irredeemables	169.46	+0.45	168.70	–	1.54
5	All stocks	138.75	+0.39	138.34	0.13	2.56
	Index-Linked					
6	5 years	124.83	-0.11	124.96	–	0.51
7	Over 5 years	117.57	+0.35	117.17	–	0.88
8	All stocks	118.81	+0.31	117.64	–	0.85
9	Debentures & Loans	120.25	+0.13	120.09	–	1.63
10	Preference	89.30	+1.01	88.41	–	0.73

	AVERAGE GROSS REDEMPTION YIELDS		Mon Mar 14	Fri Mar 11	Year ago (approx.)
	British Government				
1	Low	5 years	8.70	8.71	8.25
2	Coupons	15 years	8.95	9.03	9.07
3		25 years	8.87	8.92	9.08
4	Medium	5 years	9.14	9.22	9.20
5	Coupons	15 years	9.13	9.21	9.27
6		25 years	8.99	9.06	9.25
7	High	5 years	9.25	9.33	9.27
8	Coupons	15 years	9.28	9.35	9.40
9		25 years	9.04	9.11	9.20
10	Irredeemables	†	8.97	9.05	8.99
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.43	2.38	2.58
12	Inflation rate 5%	Over 5 yrs.	3.82	3.84	3.38
13	Inflation rate 10%	5 yrs.	1.50	1.45	0.99
14	Inflation rate 10%	Over 5 yrs.	3.67	3.69	3.23
15	Debs &	5 years	10.75	10.72	9.90
16	Loans	15 years	10.61	10.60	10.14
17		25 years	10.61	10.60	10.17
18	Preference	†	10.41	10.51	10.95

♦Opening index 1817.4; 10 am 1811.6; 11 am 1811.0; Noon 1816.9; 1 pm 1819.3; 2 pm 1819.5; 3 pm 1817.5; 3.30 pm 1819.1; 4 pm 1820.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
		Apr	Jul	Oct	Apr	Jul	Oct
Allied Lyons (*368)	330	45	52	62	4	[illegible]	[illegible]
	360	22	33	40	12	[illegible]	[illegible]
	390	7	20	27	28	[illegible]	[illegible]
Brit. Airways (*171)	140	33	35	40	1	[illegible]	[illegible]
	160	15	20	26	4	[illegible]	[illegible]
	180	5	9	15	14	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

March 14 Total Contracts 22,918 Calls 14,844 Puts 8,074
FT-SE Index Calls 304 Puts 729
*Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	794	Enterprise Oil	453	Prudential	130
Allied-Lyons	654	Fisons	1,400	Racal	1,700
Amstrad	949	General Accident	343	Rank Org.	597
Argyll Group	1,300	General Elect.	1,700	RMC	177
Assoc. Brit. Foods	49	Glaxo	2,400	RHM	587
BAA	785	Globe Investment	143	Reckitt & Colman	112
BAT	1,500	Granada	266	Redland	348
BET	462	Grand Met.	302	Reed Intl.	757
BICC	832	GUS "A"	209	Reuters "B"	106
BOC	490	Guardian R.E.	324	RTZ	691
BPB Inds	119	GKN	776	Rolls-Royce	3,500
BTR	4,100	Guinness	1,200	Rothmans "B"	691
Barclays	785	Hammerson	84	Rowntree	798
Bass	217	Hanson	6,400	Ryl Bank Scotland	187
Beecham	2,000	Hawker Siddeley	273	Royal Insurance	563
Blue Arrow	11,000	Hillsdown Holdings	822	STC	745
Blue Circle	540	IMI	336	Saatchi & Saatchi	172
Boots	1,000	ICI	1,000	Sainsbury	372
Brit. Airways	541	Jaguar	420	Scott & Newcastle	1,400
Brit. Aerospace	727	Ladbroke	1,600	Sears	1,400
Brit. & Comm.	408	Land Securities	94	Sedgwick	274
British Gas	2,900	Laporte	187	Shell Transport	623
BP	8,950	Legal & General	662	Smith & Nephew	598
Brit. Telecom	5,300	Lloyds Bank	1,200	Standard Chart.	288
Bunzl	603	LASMO	1,500	Storehouse	545
Burmah Oil	370	Lonrho	800	Sun Alliance	109
Burton	428	Lucas	833	T & N	1,000
Cable & Wireless	278	MEPC	317	TSB	1,900
Cadbury Schweppes	781	Marks & Spencer	3,900	Tarmac	1,500
Coats Viyella	1,200	Maxwell Comm.	1,200	Tesco	1,600
Commercial Union	687	Metal Box	807	THORN EMI	170
Cons. Gold	208	Midland Bank	336	Trafalgar House	946
Cookson	345	NatWest Bank	1,600	Trusthouse Forte	1,000
Courtaulds	1,200	Next	684	Ultramar	770
Dalgety	431	Northern Foods	163	Unilever	593
Dee Corporation	773	Pearson	147	United Biscuits	2,500
Dixons Group	1,700	Pearl Group	511	Wellcome	877
English China Clays	248	P & O	153	Whitbread "A"	764
		Pilkington	1,000	Woolworth	894
		Plessey	2,400		

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	98	5	11
Corporations, Dominion and Foreign Bonds	23	2	26
Industrials	477	270	814
Financial and Properties	151	97	394
Oils	31	19	59
Plantations	0	4	9
Mines	50	52	100
Others	63	71	132
Totals	893	520	1,545

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
215	F.P.	8/4	273	218	AMI Healthcare 20p	264	+6	u5.0	2.9	2.6	18.0
§130	F.P.	15/4	165	150	Archer (A.J) Hldgs 1p	160		N6.5	2.1	5.6	11.9
†	F.P.	-	159	150	Berry Starquest	158		-	-	-	-
330	120	-	92	61	British Petroleum	78	-3½	R12.5	1.5	5.9	14.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | GERMANY (continued) | ITALY | NETHERLANDS | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

CANADA

TORONTO
Prices at 2.30pm
March 14

(†—No voting rights or restricted voting rights.)

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 49

Stock	Sales (Hnds)	High	Low	Last	Chng
RoadSv1.10	20 2876	32¼	31¾	31¾ − ½	
RochCS.12e	11 495	11¾	11½	11¾	
RsvltFd	4 406	9½	9⅛	9¼ − ½	
Roopch	37 57	20½	20	20½	
RossStr	336	5⅞	5⅝	5⅞	
Rouses .52	104 x840	21¾	21	21¾ + ¼	
RoyGld	54 17	3¾	3¾	3¾ + ⅛	
Roylprs	32 136	4 7-16	4⅝	4T-16 + 1-16	
RyanFs	24 1826	7⅞	7⅝	7¾	
S S					
SCI Sys	17 223	14⅝	14⅜	14⅜ − ¼	
SCORU	7 434	9	7¾	8 + ¾	

Indices

NEW YORK DOW JONES | STANDARD AND POOR'S | NYSE Composite | Amex Mkt. value | NASDAQ OTC Comp. | Dow Industrial Div. Yield | S & P Industrial div. yield | S & P P/E ratio | TRADING ACTIVITY | CANADA TORONTO | MONTREAL Portfolio

NEW YORK ACTIVE STOCKS

CHIEF LONDON PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES			
Antofagasta Hldgs.	247	+	10
Appleyard	405	+	14
Aspen Comms.	420	+	15
Cambridge Elect.	228	+	6
Countryside Props.	278	+	14
England (J.)	70	+	17
Glaxo	£10 13/16	+	¼
Intl. City Hldgs.	188	+	6
Keep Trust	428	+	15
Kennedy Brookes	405	+	14
Ladbroke	392	+	6
Lancaster	137	+	13
McAlpine (A.)	443	+	9
Newman Inds.	63	+	5½
Ocean Transport	290	+	12
Racal Elect.	228	+	5
Rowntree	463	+	5
STC	253	+	6
Spring Ram	188	+	15
Woolworth	289	+	6
FALLS			
Utd. Biscuits	261	−	5

TOKYO - Most Active Stocks
Monday, March 14, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	188.28m	454	-2
Sumitomo Metal	84.40m	353	uch
Mitsubishi Electric	76.65m	691	+21
Ishikawajima-Harima Heavy Industries	53.59m	850	-15
Nippon Kokan	49.49m	384	-10
Kawasaki Steel	46.81m	397	-6
Fuji Electric	22.87m	680	+5
Toshiba	14.27m	785	-7
Nisshin Steel	12.97m	809	-3
Mitsubishi Heavy Industries	12.84m	659	-4

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.60	1.9	26	127	23	22½	22¾	−¼
38⅛	21	AFG s	.16	.5	14	1966	32¼	32	32	−⅛
27	10½	AGS s			14	717	17¼	16⅞	17¼	+¼
10½	5	AMCA				22	5⅜	5⅜	5⅜	−⅛
9	3¼	AM Ind				1005	4⅛	4⅛	4⅛	+⅛
65½	26¾	AMR			13	5443	41	40½	41	−¼
27¼	24⅞	ANR pf 2.67		10.		2	26½	26½	26½	−¼
25	19	ANR pf 2.12		9.2		2	23	23	23	+⅜
12¼	6⅝	ARX			9	687	9⅛	8⅞	9	−⅜
73½	40⅞	ASA	3	6.4		227	47⅝	46¾	47⅛	−⅛
22⅜	9½	AVX			14	184	17	16¾	16¾	−⅛
67	40	AbtLab 1.20		2.5	18	8153	49	47⅞	48½	+½
28	15⅜	Abitibi g				21	19⅝	19¼	19⅝	+⅜
16¾	9½	AcmeC .40		3.5		31	11⅜	11	11⅜	+¼
10½	6⅞	AcmeE .32b		3.9	22	11	8⅛	8⅛	8⅛	−⅛
28	14⅛	AdaEx 3.05e		10.		333	16⅝	16⅞	16⅝	−⅛
19½	6⅞	AdamMl .04		1.9	18	61	12¾	12⅜	12⅜	
24⅞	7½	AMD				2223	12¾	12⅛	12½	
56¾	28¼	AMD pf	3	8.0		16	37¾	37½	37½	
11⅛	4⅝	Adobe			14	1545	8½	9	8¼	+⅜
20½	16¼	Adob pf 1.84		9.9		12	18½	18½	18½	+¼
21¾	17½	Adob pf 2.40		12.		3	20½	20½	20½	
16	6½	Advest .12a		1.6	8	74	7¾	7½	7⅜	
57⅞	43½	AetnLf 2.76		6.9	9	1210	46⅝	46⅛	40¼	−⅜
83½	41	AflPub .40		.9	36	4505	62¾	60	62¾	−¼
28⅝	13	Ahmans .88		5.8	9	2411	15¾	15¼	15¼	−¼
5⅞	1¾	Aileen				44	2⅛	2	2	−¼
53⅞	28	AirPrd 1		2.2	14	1383	46⅜	45¾	45⅞	+¼
38	11⅛	AirbFrt .60		3.3	20	288	18¼	17⅞	18	+⅛

[illegible]

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
2	7-16	PanA wt				208	¾	11-16	11-16	+1-16
34¾	18¼	PanEC n	2	7.9	12	3570	25⅞	24⅞	25¼	+⅞
17⅛	5½	PanAm			5	795	6⅛	6	6	−⅛
27¾	10½	Panaph	.16	.9	16	1239	17	16½	17	−¼
27¼	12⅞	ParPh	.3		16	185	20	19¼	19¼	−¾
15⅛	4¾	ParTch			6	20	5⅞	5⅞	5⅞	
6½	3½	Pardyn				852	6¼	5¼	5¼	−⅛
24⅛	12	ParkEl	.16	.9	14	6	18⅞	18⅝	18⅞	+⅛
6⅞	2½	ParkDri		.8		700	3⅞	3⅝	3⅝	−¼
48	24½	ParkHn	.84	2.3	10	612	37⅜	36¾	36⅞	−⅜
5⅛	2⅞	PatPtr			65	110	4½	4¼	4¼	−⅛
10⅝	3⅝	Pathm	.08i	1.3	6	x457	6⅛	5¾	6	
21½	11½	PayNP			10	21	15	14⅞	15	+⅛
25⅞	9⅝	PayCsh	.16	1.1	18	841	15½	15	15⅛	+⅛
30¼	18½	PenCn s	.05	.2	48	355	23	22½	23	
66	35¼	Penney	1.48	3.3	11	4059	45¼	44⅜	44⅞	+⅛
47⅛	35⅝	PaPL	2.76	7.9	11	1147	35⅛	34⅞	35	
103	10	PaPL pf8.60		9.7		z50	89	89	89	
104⅝	98¼	PaPL pr9.24		9.0		150	102⅞	102⅞	102⅞	+⅞
68¼	34¾	Pennwlt	2.40	4.5	13	40	53½	52¾	52⅞	−⅝
39⅞	30½	Pennw pr1.60		5.2		8	31	30¾	30¾	−¼
95	38½	Pennzol	2.20	3.0	108	1903	74¾	74⅛	74½	+⅛
29⅞	14¼	PeopEn	.52	[illegible]	11	x249	18¼	17⅞	17⅞	
14⅞	9½	PepBy s	.08	.6	22	476	13⅞	13⅛	13⅝	−¼
42¼	25½	PepsiCo	.58	1.6	16	5460	35¾	34⅞	35¼	+⅞
12¾	7⅝	PerkF	1.20e	12.	13	28	10¼	10⅛	10⅛	
41⅛	18½	PerkEl	.60	2.3		218	27¾	27¼	27⅜	−⅜
8¼	6¼	Prmian	.60e	10.	12	16	6⅞	5⅞	5⅞	−⅛
10¼	8⅝	PrLP pr1.15		14.		391	8½	8⅝	8½	+⅛
16	6¼	PeryDr				332	8⅛	7½	7⅞	+⅜
40	14¼	Petrie	.20	.9	15	1022	21⅝	21	21½	−⅛
21¼	15⅝	PetPar	2.08	10.	11	621	20⅝	20⅜	20½	
23½	20½	PetRs	3.18e	13.		51	23¼	23	23	−⅛
18	15	PetRs pf1.57		9.4		37	16⅞	16⅝	16¼	

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
85	58	Xerox	3	5.2	11	2473	57⅞	56¾	57½	−⅛
59⅛	52⅝	Xerox pf5.45		10.		72	52½	52⅜	52⅜	−¼
34⅝	19¼	XTRA	.64	3.5	16	207	33⅜	32⅞	32⅝	−1
29½	18⅝	XTRA pf1.24		5.8		1	28½	28½	28½	
33⅞	17½	Yorkin			11	149	29⅞	29	29⅞	+⅞
7¼	2¼	Zapata				295	3⅜	3¼	3½	−⅛
37	18⅜	Zayre	.40	1.9	16	2460	21⅞	21⅛	21⅜	+⅛
16⅛	8¾	Zemex	.40	3.6	14	11	11	10⅞	11	+⅛
32⅝	18	ZenithE				700	17⅞	17½	17⅝	−¼
13½	2½	ZenLab				277	3	2⅞	2⅞	−⅛
24	13½	ZeniNt	.60	4.2	8	1317	19⅛	18⅝	18⅞	−⅜
20⅝	11⅝	Zero	.36	2.5	15	427	14½	14	14⅝	−⅛
30¼	15	Zurnln s	.60	3.6	10	58	22⅝	22⅛	22⅝	−⅜
10⅝	7⅝	Zweig	1.08e	11.		732	10	9⅞	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 47

AMERICA

Dow drifts in thin volume despite takeover activity

Wall Street

DESPITE an explosion of takeover activity and some large price movements in individual shares, the broad equity market yesterday hovered very little changed from Friday's close, *writes Janet Bush in New York.*

After daily volume of nearly 200m shares last week, activity slowed considerably and by mid-session only around 76m shares had changed hands.

At 2pm, the Dow Jones Industrial Average stood 1.49 higher at 2,036.47.

On the Treasury bond market, movements were similarly modest with shorter maturities unchanged from Friday's higher close and longer maturities as much as ⅛ point lower.

After recovering on Friday following better than expected producer prices data and neutral figures for retail sales, bond traders were cautious about building up new positions in view of a large number of key economic statistics released this week.

The first important figures are February's industrial production and housing starts tomorrow. However, the key statistic will be Thursday's merchandise trade deficit for January. Sensitivities about the trade figures have been heightened by the latest bout of dollar vulnerability, particularly in view of forecasts looking for a modest widening of the shortfall.

Standard & Poor's yesterday announced a radical restructuring of its S&P 500 index. From April 6 there will no longer be a rigid breakdown of different sectors within the index, allowing S&P more closely to reflect changes in corporate America.

On the equity market, traders were still nervous after last Thursday's sudden drop of more than 48 points and the only very modest recovery on Friday of just under 9 points. There is concern that the simultaneous expiry of stock index options and individual futures and options contracts later this week could trigger more stock index selling.

Activity was again concentrated in stocks involved in takeover or merger situations, both long-running and new.

There were further weekend developments in the battle to win control of Federated Department Stores with R H Macy making e sweetened offer and Campean Corp of Canada extending its bid for the company to Friday from the original deadline of midnight on Tuesday. Federated rose $1½ to $67⅞ by midsession.

American Standard, which is subject to a hostile takeover bid from Black & Decker, said it was talking to a third party about a possible bid worth more than $75 a share. Black & Decker's offer is worth $73 a share. American Standard'e shares rose $1¼ to $74⅞.

Grolier, the US publisher of encyclopedias and reference books, jumped $8¾ to $24¼ after news of a $21 a share offer from French publisher Hachette. Grolier said it would consider the offer at a board meeting later this week.

Homestake Mining dipped $1½ to $15¼ after news that Mr T. Boone Pickens' Mesa L.P. had withdrawn its $20 a share offer for the company. Mesa edged $⅛ higher to $12⅞.

Wolverine Technologies surged $4 to $18¼ after news it has agreed to be acquired by Ply-Gem Industries for $18½ a share.

Moore McCormack Resources gained $2 to $37⅛ after the company said it had rejected Southdown's sweetened takoever offer of $35 a share and that it was considering a restructuring or recapitalisation plan instead. Southdown slipped $¼ to $40⅛.

In another twist in the post-litigation saga of Texaco, Husky Oil said it was considering offering Texaco a capital infusion of at least $1bn to help persuade Texaco to sell it a majority interest in its Canadian subsidiary.

Husky's co-chairman Mr Robert Blair said Husky would be willing to pay $2.4bn to $2.78bn for Texaco's 78 per cent interest, not including the possible $1bn cash infusion.

Canada

FALLING share prices took the composite index lower at midday to rest 13.2 down at 3,308.1.

Inco fell C$⅛ to C$28⅞ and Falconbridge lost C$⅛ to C$22⅞ after denying reports of a ferronickel deal with the Dominican Republic.

David Owen examines attempts by a high-risk market to boost its image

Vancouver ventures into the global arena

MR R. is a typical Vancouver stock exchange investor. By 6.30 am on weekdays he is brandishing a radio phone in his desireable West Vancouver home, monitoring developments and barking out orders to his broker in the city.

While the October market crash cost this investor a six-figure sum in theoretical paper profits it did not deter him, or thousands like him, from continuing to chance their arm in equity investment.

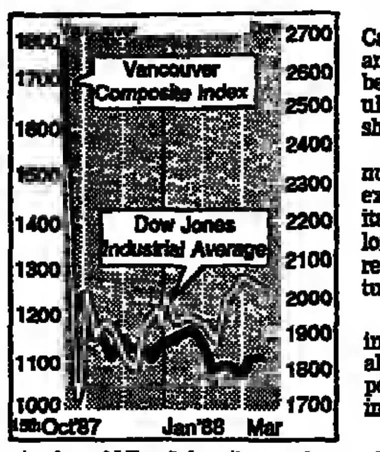
Accordingly, some fiva months later, the typically volatile venture capital market appears to have emerged in relatively sound condition from the débâcle. New listings have remained surprisingly strong even though volume is down about 50 per cent from pre-crash levels, prices are still weak and the capitalisation of the beavily gold-inflnenced VSE composite index is running at about two-thirds of its early October level. Indeed February's total of 34 new listings comfortably exceeded tha monthly average of 28 in the first three-quarters of 1987.

"We have held up reasonably well under the circumstances," says Mr Don Hudson, president of the exchange.

With post-crash concerns now less acute, attention has switched to the exchange's new C$7.5m (US$6m) automated trading system, slated for introduction next month.

Initially a representative sample of 25 of the exchange's roughly 2,050 stocks will trade on the system, with more to be added as the year progresses. "By the end of December," he predicts, "we will have, if not all, then a large proportion of VSE stocks in the system."

The eoftware has been designed to replicate the time-honoured open outcry method of trading currently employed at the exchange. All bids and offers for a given stock will be listed, with orders filled on a first-come, first-served basis. When fully implemented, the new technology is expected to trigger e London-style vacating of the currently boisterous Granville Street trading floor in the middle of the city's main shopping thoroughfare.



Mr Hudson says the exchange opted for the automated trading route because it felt the trading floor was an antiquated system and the securities industry as a whole was moving towards ever greater use of computers

"As a by-product we thought it would improve our credibility," he adds.

The 81-year-old exchange, Canada's third after Toronto and Montreal, has traditionally been dominated by highly speculative junior gold mining shares.

Computerisation is one of a number of ways in which the exchange is now positioning itself to achieve its rather lofty long-term goal of becoming the recognised centre of global venture capital financing.

It is also seeking to increase international involvement of all kinds and to boost the proportion of non-resource listings in its portfolio.

Currently some 30 per cent of VSE stocks, ranging from high-tech companies to retailers and wine producers, fall into this category – up from just five per cent in the early 1980s. "The 1982-83 recession frightened people away from debt financing," says Mr Hudson to explain the increase in companies coming to the market to raise cash.

The recession also sparked something of e small business resurgence in British Columbia as many of those laid off by the region's major employers started up tbeir own enterprises. "We have more entrepreneurs per capita in British Columbia than anywhere else in Canada," says Mr Richard Allen, chief economist of the BC Central Credit Union.

Mr Hudson's aim is to boost the proportion of non-resource stocks to 50 per cent over the next five years as the advantages of gaining access to venture financing without handing over any degree of control to the venture capitalist are more widely appreciated.

International investor activity is already fairly strong, as shown by the 20 to 25 per cent fall in volume whicb generally afflicts the exchange on statutory US holidays.

The exchange still suffers from a reputation as something of a haven for unscrupulous operators. But the recent 50 per cent increase in the British Columbie Securities Commission's annual budget may bolster confidence in the market.

EUROPE

Trading quiet as investors await US data

INVESTORS stayed on the sidelines across Europe yesterday pending the release on Thursday of US trade figures, and volume was moderate to low. Stockholm was hit by profit-taking after recent strong gains and Oslo saw its first day of electronic trading.

FRANKFURT closed mixed after a weak opening as investors held back in the run-up to the news of US trade data.

Turnover was low amid uncertainty about the dollar before the statistical news, and the FAZ index ended 2.29 lower at 452.30.

Hopes of high dividends helped push Thyssen up DM3 to DM130 and *Mannesmann* np *DM2* to DM122. Cars were mixed with Daimler DM5.50 higher at DM694, Porsche up DM9 at DM486.50 and BMW DM1.50 lower at DM516.50.

Bonds ended about 20 pfg higher in quiet trading, with the yield on 10-year bonds at about 6.18 per cent.

PARIS was quiet amid continued political uncertainty at home, with domestic and foreign investors also awaiting trade figures from the US.

The CAC General index added 0.1 to 294.9, with falls leading gains by 102 to 86. Investors are still cautious as they wait to see if President François Mitterrand willdeclare his candidacy.

Géophysique rose FFr33 to FFr377 on general interest in the upstream oil sector, while potential takeover target Facom added FFr58 to FFr866.

Concern about the outlook for domestic interest rates led to *falls in selected bank stocks and* UIC lost FFr50 to FFr800, with UFB FFr19 lower at FFr370.

MILAN ended the day slightly down after a strong opening as rumours continued to filter through tha market. The MIB index lost 4 to 1,042.

The market saw position-squaring ahead of the close of the current account today and volume was moderate.

Rumours about the possible sale by the De Benedetti group of *Buitoni sent the stock up L199, or* 21 per cent, to L9,399, with it rising to L9,950 in after hours trade. The closing price has jumped by 85 per cent since January 26 this year, *when it stood at L5,080.*

Mediobanca, the market's most expensive issue, fell L1,550, or 8.6 per cent, to L177,950, amid speculation that it is going to split its stock.

ZURICH was held back by investor cantion pending US trade data news and closed steady in light volume. The weaker dollar also hit sentiment and the *Crédit Suisse* index added just 0.4 to 458.8.

Jacobs-Snchard bearers rose SFr25 to SFr8,550 after the week-and report hy the coffee and chocolate group of a sharp 1987 profits increase and a proposed higher dividend. Retailer Jelmoli was unchanged at SFr2,500 after announcing elghtly higher annual profits.

BRUSSELS finished lower for the third consecutive session, *with the stock index down 32.68* at 4,883.93.

The fall leaves the market 3.2 per cent off its high for the year, reached last Wednesday. The drop was due in part to continning uncertainty about the domes*tic political situation,* as well as a correction following recent strong gains fuelled by the battle for Société Générale de Belgique.

Demand was much lower for GB-Inno, which has seen active trading and eurged in price recently on takeover speculation. The stock fell BFr8 to close at BFr1,212, with 32,400 shares traded against 135,000 on Friday.

STOCKHOLM was hit by profit-taking after last week's strong gains, *with the* Affaersvaerlden general index dropping 6.2 to 801.2. Turnover fell to SKr350m from SKr551m on Friday.

The market marked MoDo down SKr40 to SKr335 on disappointment over its SKr6.1bn bid for fellow forestry companies Iggesund and Holmen, which rose SKr40 to SKr590, and SKr3 to SKr113, respectively.

Industrial gas group Aga, which announced the SKr580m sale of two tooling subsidiaries, ended unchanged et SKr188.

AMSTERDAM closed mixed in dull trading with no new factors to give the market direction. The ANP-CBS edged up 0.4 to 241.1.

Uncertainty over tbe direction of the dollar pending US trade data hit sentiment. But losses among internationals were limited to KLM, which shed 40 cents to Fl 34.10 and Philips, which fell 20 cents to Fl 28.80.

OSLO ended its first day of electronic trading generally higher, with the all-share index up 0.18 et 283.66. The bourse now operates on real-time quotations.

London

THE pound'e steadiness took pressure off international stocks in a market pre-occupied with today's Budget, and the FT-SE 100 index added 7.9 to *1,819.5*.

ICI showed a small gain and pharmaceutical shares, also vulnerable to a strong pound, were helped by Glaxo's results. The oil sector ended calmer.

ASIA

Turnover plummets amid concern over sharp gains

Tokyo

LATE profit-taking amid continued caution led equity prices lower in Tokyo yesterday as investors awaited this week's US trade figures for January, *writes Shigeo Nishiwaki of Jiji Press.*

Tha Nikkei average lost 110.22 to 25,438.51 after moving between 25,345.28 and 25,553.01. Volume declined steeply from last Friday's 1.78bn to 964m shares. Declines led advances by 650 to 286, with 126 issues unchanged.

Trading stayed lacklustre all day in advance of three consecutive holidays starting this Saturday and the release on Thursday of the US trade figures.

Some institutional investors and business corporations have begun to worry about the precariously high prices of large-capital steel and shipbuilding stocks resulting from selective buying over the past two weeks. Turnover shrank quickly in the afternoon.

Giant-capitals dominated the list of 10 most active etocks, which eccounted for 58.3 per cent of overall turnover, up from last Friday's 53.9 per cent. The figure caused concern among leading securities houses that a slide in large-capitals might spark another crash of the market as a whole.

Nippon Steel headed the active list, with 188.3m shares traded. It closed Y2 down et Y454 on late profit-taking after rising Y5 to Y461 et one stage. The second busiest stock, with 84.4m shares, was Snmitomo Metal, which ended unchanged at Y353 after briefly adding Y11. Ishikawajima-Harima Heavy Industries, fourth busiest with 53.6m shares, shed Y15 to Y850 after increasing Y11.

By contrast, Mitsubishi Electric, third with 76.7m shares, strengthened Y21 to Y691 on bargain bunting, with its price having stayed low relative to those of other beavy electricals like Hitachi and Toshiba.

The high-tech sector eased on light selling almost across the board. Matsushita Electric Industrial shed Y20 to Y2,530, NEC Y40 to Y2,070 and Sony Y50 to Y5,140.

Conversely, speculative stocks came into the limelight. Maruzen soared Y200, or 18 per cent, to Y1,320, whila Jujiya, Maruei Department Store and Izutsuya advanced a maximum Y100 each to Y880, Y981 and Y1,080 respectively.

Bonds moved within narrow limits, despite the yen's slight gain against the US dollar. Dealers had little choice but to keep a low profile before Tbursday's announcement of US trade figures and the end-of-Marcb account settlements.

The yield on the bellwether 5.0 per cent government bond maturing in December 1997 closed unchanged from last Friday at 4.455 per cent after falling to 4.440 per cent.

In Osaka, shares dropped yesterday for the third consecutive session on broad-based light selling, with the Osaka Securities Exchange stock avarage losing 148.21 to 25,711.22. Volume decreased to 159m shares.

Australia

LEADING indnetrial and resource stocks were the focus of buying ettention although volume remained low in the absence of local institutions and international investors.

The All Ordinaries rose 7.7 to 1,362.0 with the mining index 6.0 higher at 662.9. Gains outnumbered falls by 217 to 171.

In industrial issues, Industrial Equity added 2 cents to A$1.60 in spite of news that net interim profits were down 55 per cent. Brierley Investments, which saw interim profits almost halved, fell 10 cents to A$1.20.

Hong Kong

SHORT-TERM investors took profits following two weeks of gains in the market and shares ended down in active trading.

The Hang Seng index dropped 10.77 to 2,584.68, with turnover at HK$1.43bn against Friday's HK$1.47bn.

The market opened strongly on expectations of healthy corporate results in coming weeks, but properties ended the day weaker on profit-taking, with Hongkong Land down 10 cents at HK$7.75 and Wharf and New World each 5 cents lower at HK$6.85 and HK$9.10.

Mandarin Oriental fell 5 cents to HK$4.50 after reporting 1987 profits of HK$244.6m against a forecast of HK$190m.

Singapore

BARGAIN hunting pushed share prices higher in fairly active trading, helped by the previous rise on Wall Street and good corporate results.

The Straits Times index added 7.4 to 947.96, with advances leading declines by 110 to 27. Turnover was 32m shares compared witb 28.6m on Friday. Trading activity centred mainly on cheaper-priced issues, with price changes mostly narrow except for a few blue chips and quality stocks.

Improved profits helped push Singmarine up 9 cents to S$1.32 and Malaysia Mining 7 cents higher to S$1.37. But Prima fell 35 cents to S$5.50, in spite of its higher profit.

SOUTH AFRICA

AN UNCERTAIN mood took hold in Johannesburg in advance of tomorrow's budget and in light of a steady bullion price and stronger financial rand.

Gold etocks tended lower, while the mining financials were mixed and industrials steady to firmer.

Among leading golds, Vaal Reefs shed R8 to R260 and Kloof 50 cents to R32.50, while Randfontein was off R1 at R240.

Diamond stock De Beers edged up 35 cents to R27.60 after its strong run last week in advance of its jump in net income for 1987.

Financials saw Anglo American gain 75 cents to R50 while Gencor eased 25 cents to R47.

In the industrial sector, Barlow Rand added 10 cents to R19.50.

US funds

IN a story on this page last Friday entitled "US funds turn attention to Europe", some editions said that foreigners made record net sales of DM15.7bn in West Germany in 1986. This should have been net purchases.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 11 1988					THURSDAY MARCH 10 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (91)	110.00	-0.4	88.01	100.09	4.21	110.43	88.86	100.70	180.81	85.36	111.52
Austria (16)	90.86	+0.1	72.69	78.33	2.68	90.72	73.00	78.35	102.87	84.35	94.20
Belgium (48)	135.94	-2.6	108.77	117.00	4.08	139.61	112.34	120.16	139.89	94.63	115.27
Canada (126)	120.98	+0.3	96.80	109.99	2.99	120.57	97.02	109.70	141.78	98.15	127.79
Denmark (38)	121.94	+0.1	97.57	105.40	2.79	121.80	98.01	105.69	124.83	98.18	112.91
Finland (23)	121.61	+1.3	97.30	102.48	1.93	119.99	96.55	101.13	–	–	–
France (122)	85.46	-1.2	68.38	75.71	4.09	86.50	69.60	76.90	121.82	72.77	113.77
West Germany (94)	78.98	-0.5	63.19	68.21	2.71	79.38	63.88	68.72	104.93	67.78	87.01
Hong Kong (46)	100.64	+0.2	80.52	100.80	4.21	100.41	80.80	100.58	158.68	73.92	107.38
Ireland (14)	120.03	+0.0	96.03	105.11	4.20	120.02	96.57	105.59	160.22	93.50	127.65
Italy (94)	76.89	+1.9	61.52	70.75	2.73	75.45	60.71	69.70	112.11	62.99	95.89
Japan (457)	163.10	+0.1	130.49	131.29	0.53	162.94	131.11	131.93	163.67	100.00	122.86
Malaysia (36)	117.08	-0.2	93.67	114.91	3.34	117.29	94.38	115.37	193.64	93.76	128.19
Mexico (14)	152.93	+1.1	122.36	380.72	0.93	151.26	121.71	376.57	422.59	90.07	127.77
Netherland (37)	106.85	-0.4	85.49	91.07	5.03	107.30	86.34	91.63	131.41	87.70	109.22
New Zealand (23)	77.07	-0.4	61.67	60.93	5.41	77.42	62.30	61.35	138.99	64.42	91.32
Norway (24)	116.85	+2.0	93.49	100.20	3.03	114.59	92.21	98.45	185.01	95.51	120.96
Singapore (26)	110.87	-0.6	88.71	102.88	2.33	111.59	89.79	103.51	174.28	81.21	115.99
South Africa (61)	135.97	-0.6	108.79	81.44	5.17	136.78	110.06	81.91	198.09	100.00	134.61
Spain (43)	145.96	-0.8	116.78	123.90	3.39	147.15	118.41	124.69	168.81	100.00	110.90
Sweden (32)	119.82	+0.0	95.87	104.88	2.61	119.83	96.42	105.11	136.64	88.50	107.96
Switzerland (53)	85.61	-1.3	68.49	72.79	2.33	86.75	69.80	74.16	111.11	73.65	94.90
United Kingdom (327)	138.98	-0.6	111.20	111.20	4.29	139.77	112.47	112.47	162.87	99.65	127.05
USA (585)	107.99	+0.3	86.40	107.99	3.49	107.69	86.65	107.69	137.42	91.21	119.59
Europe (965)	109.38	-0.5	87.51	91.68	3.79	109.96	88.48	92.54	130.02	92.25	110.07
Pacific Basin (679)	158.54	+0.1	126.85	128.76	0.72	158.41	127.46	129.38	158.80	100.00	121.78
Euro-Pacific (1644)	138.90	-0.1	111.13	114.00	1.69	139.05	111.89	114.71	143.65	100.00	117.11
North America (711)	108.68	+0.3	86.96	108.13	3.46	108.37	87.20	107.82	137.55	91.68	120.03
Europe Ex. UK (638)	91.03	-0.5	72.83	79.41	3.32	91.48	73.61	80.01	111.97	78.89	99.57
Pacific Ex. Japan (222)	103.62	-0.2	82.91	96.44	4.17	103.83	83.55	96.77	164.03	82.92	108.64
World Ex. US (1845)	138.27	-0.1	110.63	113.64	1.76	138.41	111.37	114.32	143.38	100.00	117.70
World Ex. UK (2103)	125.36	+0.1	100.30	111.71	2.11	125.24	100.78	111.96	138.82	100.00	117.62
World Ex. So. Af. (2369)	126.49	+0.0	101.21	111.87	2.31	126.46	101.75	112.22	139.47	100.00	118.34
World Ex. Japan (1973)	109.04	+0.0	87.24	101.69	3.62	109.07	87.77	101.88	134.22	92.98	116.35
The World Index (2430)	126.56	+0.0	101.26	111.66	2.33	126.53	101.81	112.01	139.73	100.00	118.45

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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Latest prices were unavailable for this edition.